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January 28, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *JTM*
Auditor-Controller

SUBJECT: **AUDIT OF THE LOS ANGELES COUNTY FLOOD
CONTROL DISTRICT FOR THE YEAR ENDED JUNE 30, 2007**

Attached is the audit of the financial statements for the Los Angeles County Flood Control District (District) for the year ended June 30, 2007. The audit was conducted by Moss, Levy & Hartzheim, Certified Public Accountants (Moss), under the Auditor-Controller's master agreement for audit services.

Moss issued an unqualified opinion on the District's financial statements, indicating that the statements are presented fairly, in conformity with accounting principles generally accepted in the United States of America and State regulations governing special districts. Moss identified no material weaknesses involving the District's internal controls over financial reporting requirements.

Please call me if you have any questions, or your staff may call Jim Schneiderman at (626) 293-1101.

JTM:MMO:JLS:MP
H:\FCD 6-30-07 Board Letter

Attachments

c: William T Fujioka, Chief Executive Officer
Donald L. Wolfe, Director, Department of Public Works
Sachi A. Hamai, Executive Officer, Board of Supervisors
Public Information Office
Audit Committee

"To Enrich Lives Through Effective and Caring Service"



Los Angeles County Flood Control District

(A Component Unit of the County of Los Angeles, California)



***Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2007
Director Donald L. Wolfe***



LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2007

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Department of Public Works' Letter of Transmittal.....	i
Board of Supervisors and Contributing County Officials	viii
Department of Public Works Organizational Chart	ix
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Fiduciary Net Assets – Fiduciary Funds	24
Notes to the Basic Financial Statements	25
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on Budgetary Basis – General Fund...	40
Notes to Required Supplementary Information	41
Other Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on Budgetary Basis – Debt Service Fund.....	43
Schedule of Changes in Assets and Liabilities – Fiduciary Funds.....	44

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2007

Table of Contents

	<u>Page</u>
STATISTICAL SECTION:	
Net Assets by Category – Last Six Fiscal Years	45
Changes in Net Assets – Last Six Fiscal Years	46
Fund Balances, Governmental Funds – Last Six Fiscal Years	48
Changes in Fund Balances, Governmental Funds – Last Six Years	49
Bar Chart – Governmental Funds Expenditures and Revenues – Last Six Fiscal Years	50
Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years	51
Direct and Overlapping Property Tax Rates for Tax Rate Area #4 – Last Ten Fiscal Years	52
Principal Property Taxpayers – Current Year and Nine Years Ago	53
Property Tax Levies and Collections – Last Ten Fiscal Years	54
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years	55
Ratio of Net General Bonded Debt – Last Ten Fiscal Years	56
Estimated Direct and Overlapping Bonded Debt	57
Computation of Legal Debt Margin – Last Ten Fiscal Years	59
Pledged-Revenue Coverage – Last Six Fiscal Years	60
Demographic and Economic Statistics – Last Ten Years	61
Principal Employers – Current Year and Four Years Ago	62
Full-Time Equivalent County Employees by Function/Program – Last Ten Fiscal Years	63
Operating Indicators by Function/Program – Last Six Fiscal Years	64
Capital Asset Statistics by Function/Program – Last Four Fiscal Years..	65
Other Compliance Report	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	66
Photo Gallery	Appendix



DONALD L. WOLFE, Director

COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"To Enrich Lives Through Effective and Caring Service"

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December 27, 2007

IN REPLY PLEASE

REFER TO FILE: **FI-4**

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE LOS ANGELES COUNTY FLOOD CONTROL DISTRICT

We are pleased to submit the Comprehensive Annual Financial Report of the Los Angeles County Flood Control District (District) for the year ended June 30, 2007. The District is a blended component unit of the County of Los Angeles. The report contains financial statements that have been prepared in accordance with generally accepted accounting principles prescribed for governmental entities and provides a comprehensive overview of the District's financial operations and financial position. The accuracy, completeness, and fairness of the presentation of all information in this report are the responsibility of the District.

The Independent Auditor's Report is located at the front of the Financial Section of this report. Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT AND ITS SERVICES

The District was established in 1915 under the Los Angeles County Flood Control Act. The District boundaries encompass approximately 2,752 square miles. The District's mission is to construct, operate, and maintain a system of flood control and water conservation facilities that provide flood protection, increase local water supply, and meets Federal water quality standards. The District powers are exercised through your Board acting as the District's governing body.

The District currently operates and maintains 15 major flood control dams and reservoirs, 520 miles of open channels, 78,430 catch basins, 2,800 miles of underground storm drain conduits, 49 pump plants, 159 sediment entrapment basins, 229 concrete crib check dams, 26 spreading grounds, and 3 seawater intrusion barriers. The District's major programs are categorized as Flood Control, Water Conservation, and Urban Runoff and Stormwater Quality. These programs are described as follows:

- **Flood Control** - These programs include planning, operation and maintenance, emergency storm response, storm rehabilitation, debris control, floodplain management, public service, and construction of storm protection facilities such as dams, debris basins, drains, pumps, etc.
- **Water Conservation** - These programs include the conservation of storm flows, recycled water, and imported water by allowing the water to soak into groundwater basins for future use; seawater intrusion barrier projects that are designed to prevent saltwater from contaminating underground freshwater supplies; dam safety and debris removal projects that rehabilitate dams to withstand a maximum seismic event or probable maximum flood; reservoir clearance of accumulated debris to increase their flood control and water conservation storage capacities; and capture and treatment of urban runoff through multibenefit projects.

Over two-thirds of the County of Los Angeles's demand for water is met by sources located outside the County, thus maintaining an adequate water supply is consistently a concern. The Water Conservation Program is therefore critical in meeting the demand for water and involves modernizing, automating, and improving District water conservation facilities. Facilities allow the retention of stormwater runoff that would otherwise flow into the ocean and the infiltration of water into groundwater basins.

- **Urban Runoff and Stormwater Quality** - These programs include managing the Los Angeles County Municipal Storm Sewer System National Pollution Discharge Elimination System (NPDES) Permit, monitoring the flood control system for water quality, participating in the development of new stormwater and urban runoff water quality regulations to ensure they are technically and economically feasible, and operating an illicit connection and discharge program to reduce the amount of nonpoint source pollution entering the flood control system.

ECONOMIC OVERVIEW

The District, which covers most of the County of Los Angeles area, has continued to expand at a steady pace, but is expected to see lower growth through 2007-08 due to the slowdown in the housing industry. The impact of the slowdown might be significant to the District's revenue streams since its flood control and water conservation programs are primarily supported by benefit assessments and property taxes.

With the expected population growth in the County, the demand for flood control benefits such as flood protection, water supply, recreation, open space, and wildlife habitat restoration continues to increase. Also, the District is burdened with significant long-term costs related to the evolving and stringent urban runoff and stormwater regulations. The District is currently seeking and encouraging project partnering, identifying a stable and long-term revenue source, and pursuing voter-approved funding mechanisms to help finance these increased costs. On November 7, 2006, voters approved California State Propositions 1E and 84, which provide for the State to sell bonds to finance projects relating to enhancing flood protection and improving urban runoff and stormwater quality. The District anticipates that both of these measures will provide considerable funding, however, the full amount cannot be determined until the bond implementation and funding guidelines are established.

MAJOR INITIATIVES

FLOOD CONTROL

Dam Rehabilitation Program - The District has undertaken a program to rehabilitate dams that had been put under operational restrictions related to seismic stability by the State Department of Water Resources. This program also includes modifying dam spillways. Since the 1994 Northridge Earthquake, the District has spent approximately \$54 million in construction costs for the Dam Rehabilitation Program. The District has contracted for the seismic rehabilitation and spillway modifications for the Big Tujunga Dam. This project was awarded in June 2007 for over \$88 million. Anticipated future construction projects for other dams include Santa Anita Dam, Big Dalton Debris Dam, Sawpit Debris Dam, and Santa Anita Debris Dam.

Integrated Regional Water Management Plans (IRWMP) - This program was initiated by the State Department of Water Resources to encourage water resource agencies such as Flood Control Districts, Water Purveyors, and Water Wholesalers to plan based on hydrologic regions; address water resource management issues in an integrated fashion; and develop projects that address flood protection, water supply, water quality, and environmental benefits. The State is providing incentives for this program by providing funding for projects developed under adopted IRWMP's. Local IRWMP efforts

involve hundreds of water agencies, cities, and nongovernmental agencies. The District has taken an active role in the IRWMP's within the District boundaries.

Cooperative Projects with the Army Corps of Engineers - The District is currently involved in eight project studies being sponsored and conducted by the Army Corps of Engineers. Project objectives include flood protection, water conservation, and stream restoration. The projects are spread throughout the District and are listed below:

- Arroyo Seco Watershed Feasibility Study
- Tujunga Wash Restoration 1135 Study Project
- Phase II Los Angeles County Drainage Area Stormwater Management Plan
- Sun Valley Watershed Feasibility Study
- Hansen, Whittier Narrows, Santa Fe Dams Water Conservation Study
- Coyote Creek Feasibility Study
- Santa Clara River Feasibility Study
- Ballona Creek Ecosystem Restoration Study

National Flood Insurance Program (NFIP) - This program makes federally guaranteed flood insurance available to unincorporated County residents whose property may be affected by high flood hazard. In October 1990, the Federal Insurance Administration created the Community Rating System (CRS), a supplemental and voluntary program to the NFIP. The goals of the CRS are to encourage, by the use of adjustments to flood insurance premiums, community activities beyond those required by the NFIP to reduce flood losses and to promote awareness of flood insurance. CRS activities include outreach efforts, a letter writing campaign to educate residents about flood hazards and flood insurance, participation in community events, training workshops and conferences, and providing engineering advice to residents of properties subject to multiple flood losses. The District acts as the local administrator for the unincorporated County areas. Currently, the unincorporated County CRS rating is at a Class 8 Community (Class 10 is the beginning), which provides for the residents within the County unincorporated area to receive a 10 percent rate reduction on flood insurance premiums, resulting in an annual savings of approximately \$360,000 to our community. The District also intends to create new digital Flood Insurance Rate Maps (dFIRM) based on new models and topography to further lower our CRS rating.

Federal Emergency Management Agency (FEMA) – National Levee Certification Program Compliance - The District has initiated a program to certify 105 miles of the District-owned levees in compliance with the FEMA National Levee Certification Program. The objective is to ensure that all flood control levees are evaluated and certified as providing 100-year flood protection and meeting national current design and construction standards. The certification process is expected to conclude by October 2009.

Watershed Management Plans – This program includes watershed based stakeholder driven studies conducted to determine the feasibility of multipurpose projects that combine flood protection, water conservation, water quality, and community enhancements such as active and passive recreational facilities. These plans represent hundreds of enhancement projects that encourage partnerships with the District. Funding for benefits that go beyond the District's purview are provided through multiple partners such as State conservancies and local, State, and Federal governmental agencies.

Reservoir Sediment Removal - The District's 15 major dams and reservoirs are the backbone of the flood control and water conservation network. Almost all of the dams are located in the San Gabriel Mountains, which are considered among the most erosive in the world. Over the years, many of the dams, particularly those in San Gabriel Canyon, have partially filled with sediment and debris. This accumulation of debris reduces the flood-peak attenuation and water conservation capacity of the facilities. This problem is particularly acute following heavy rains on a burned watershed. The District has completed sediment removal for 5 major dams and reservoirs in the past few years and will award 2 additional sediment removal contracts in Fiscal Year 2007-08. The District will continue this effort to complete the sediment removal of all 15 major dams and reservoirs in the near future.

WATER CONSERVATION

Additional Spreading Ground Capacity - The District is looking to improve the storage and operational capacity of several spreading grounds and also acquire additional land for new spreading grounds. For the latter, the District is currently in the process of evaluating water conservation potential at various locations throughout the County.

Seawater Intrusion Barriers - This program consists of three separate projects designed to prevent saltwater from contaminating underground freshwater supplies. The District has constructed over 250 recharge wells to inject freshwater into underground aquifers to form a wall of freshwater under enough pressure to keep out the seawater. The District also utilizes over 800 observation wells to monitor the purity of the groundwater in the coastal areas. The District is currently increasing the number of injection wells at one of the barriers in response to identified deficiencies along the barrier.

WATER QUALITY

System-Wide Water Quality Monitoring - This program includes the development of a District-wide monitoring system that will quantify pollutant loads to the flood control system and develop the most cost-effective pollutant reduction measures using state-of-the-art scientific tools and expertise.

Water Quality Capital Improvement Plan - This program will develop a capital improvement plan identifying and prioritizing projects that provide pollutant controls and treatment consistent with District responsibilities under the Federal Clean Water Act.

INTERNAL AND BUDGETARY CONTROLS

The District has a system of internal accounting controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use and to provide reliable records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the costs of a system of internal accounting controls should not outweigh related benefits and that the evaluation of costs and benefits requires estimates and judgments by management. All internal accounting control evaluations occur within the above framework. We believe that the District's system of internal accounting controls adequately safeguards assets and also provides reasonable assurance of proper recording of financial transactions.

In accordance with the provisions of Section 29000-29144 of the Government Code, commonly known as the County Budget Act, the District budgets are adopted on or before August 30 of each fiscal year. Budgets are adopted for the District's General Fund and Debt Service Fund. Expenditures are controlled at the object level for all budget units within the District, except for fixed asset expenditures, which are controlled at the sub-object level.

Encumbrance accounting is utilized to ensure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures.

Your Board approves all transfers of appropriations between budget units and transfers exceeding \$250,000 within budget units. Your Board must also approve necessary supplemental appropriations normally financed by unanticipated revenues earned during the year.

In addition to these procedural controls, the District is subject to periodic internal control, operational, and management audits performed by the County Auditor-Controller to help ensure that prescribed procedures are followed and that operations are conducted in an efficient manner. In addition, the Auditor-Controller operates a fraud hotline that provides employees and citizens with a way to anonymously report perceived fraudulent activities by employees, vendors, contractors, and inspectors. Allegations reported over the hotline are evaluated and investigated by the Auditor-Controller as appropriate.

OTHER INFORMATION

INDEPENDENT AUDIT

The Continuing Disclosure Agreement dated January 1, 2003, by and between the Los Angeles County Flood Control District and The Bank of New York Trust Company, N. A., as Trustee, requires an annual audit of the basic financial statements of the District. Moss, Levy & Hartzheim, LLP, has audited the District's basic financial statements for the fiscal year ended June 30, 2007. The auditor's report on the basic financial statements is included in the Financial Section of this report.

ACKNOWLEDGEMENTS

This report could not have been prepared without the cooperative efforts of the staff of Public Works' Financial Management Branch, various Public Works' line divisions, and the Auditor-Controller. The District would also like to thank our independent auditors, Moss, Levy & Hartzheim, LLP, for their professional assistance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Donald L. Wolfe", followed by the text "(CFO)" in parentheses.

for DONALD L. WOLFE
Director of Public Works

WT:rm

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Enc.

**COUNTY OF LOS ANGELES
BOARD OF SUPERVISORS**
(for Period Ending June 30, 2007)

Zev Yaroslavsky, Chairman
Third District

Gloria Molina
First District

Don Knabe
Fourth District

Yvonne B. Burke
Second District

Michael D. Antonovich
Fifth District

Sachi A. Hamai
Executive Officer
Board of Supervisors

CONTRIBUTING COUNTY OFFICIALS

Donald L. Wolfe
Director of Public Works

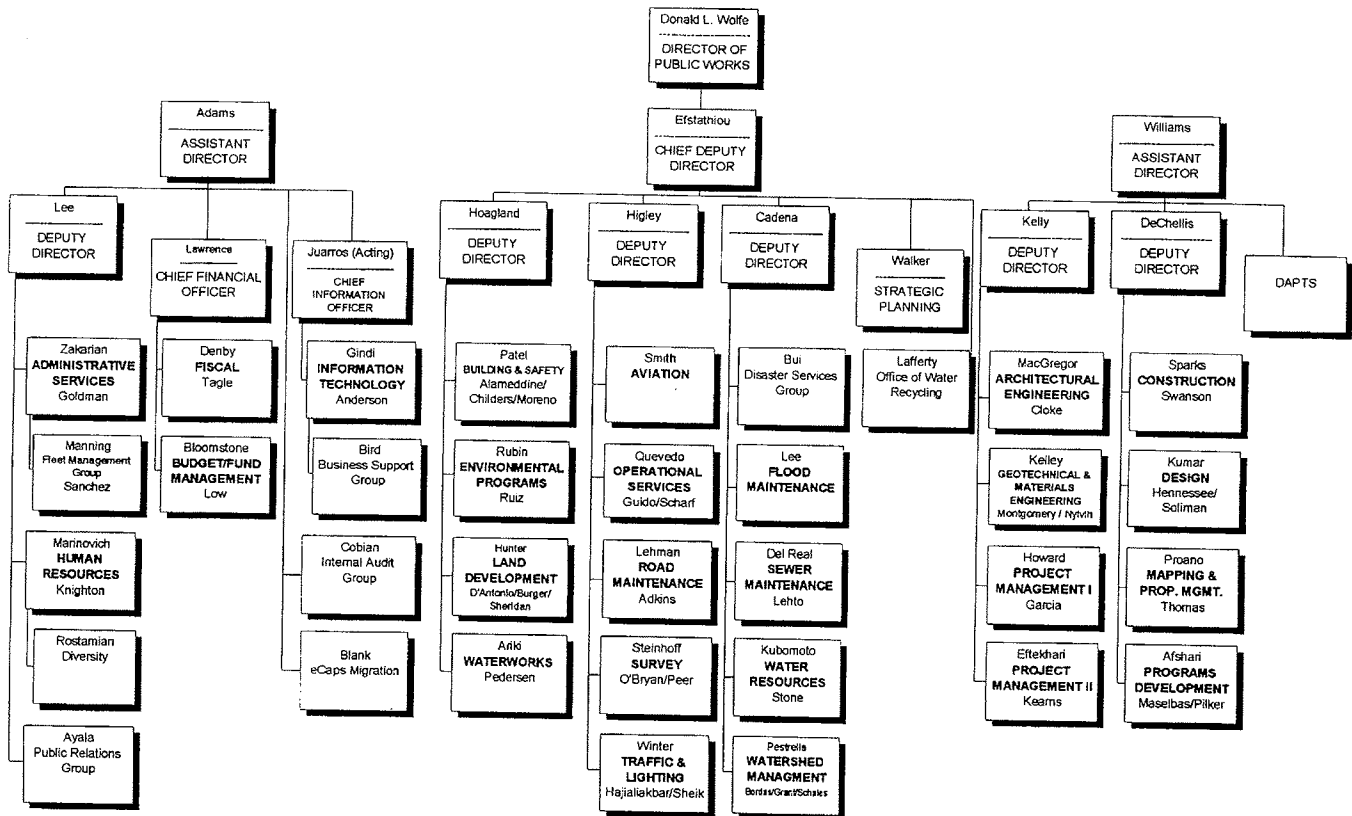
David E. Janssen
Chief Administrative Officer

J. Tyler McCauley
Auditor-Controller

Mark J. Saladino
Treasurer and Tax Collector

Raymond G. Fortner, Jr.
County Counsel

ix.





MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

RONALD A. LEVY, C.P.A.
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HADLEY Y. HUI, C.P.A.

Consultant:

ROBERT M. MOSS (Retired C.P.A.)

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INDEPENDENT AUDITOR'S REPORT

Mr. J. Tyler McCauley
Auditor-Controller
County of Los Angeles
Los Angeles, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Los Angeles County Flood Control District (District), as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* as issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Los Angeles County Flood Control District as of June 30, 2007, and the respective changes in financial position thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying Required Supplementary Information, such as the Management's Discussion and Analysis, budgetary comparison schedule for the General Fund, and the notes to the Required Supplementary Information are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

In accordance with the *Government Auditing Standards*, we have also issued a report dated December 18, 2007, on our consideration of the Los Angeles County Flood Control District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Los Angeles County Flood Control District's basic financial statements. The Introductory Section, budgetary comparison schedules for the Debt Service Funds, Schedule of Changes in Assets and Liabilities – Fiduciary Funds, and the Statistical Section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules for the Debt Service Funds and Schedule of Changes in Assets and Liabilities – Fiduciary Funds have been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information included in the Introductory Section and the Statistical Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion thereon.

Moss, Levy & Hartzheim, LLP

Moss, Levy & Hartzheim, LLP
Beverly Hills, CA
December 18, 2007

OFFICES: BEVERLY HILLS • SANTA MARIA

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**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Los Angeles County Flood Control District (District) financial performance provides a narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with information contained in the letter of transmittal and accompanying basic financial statements, notes, and supplementary information.

The District is a component of a larger governmental unit, the County of Los Angeles (County). We also encourage readers to use the Comprehensive Annual Financial Report of the County of Los Angeles to provide perspective on the government-wide and fund based statements and on how the District is a component of those statements.

FINANCIAL HIGHLIGHTS

At the end of the current year, the net assets (total assets less total liabilities) of the District were \$5.669 billion.

During the year, the District's net assets increased by \$50 million. The increase was a result of the District's governmental activities. The District has no business-type activities to report.

At the end of the current year, the District's General Fund reported a total fund balance of \$143 million. The amount of unreserved and designated fund balance was \$34 million.

The District's capital assets balance, \$5.629 billion at year-end, increased by \$40 million during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of the following three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

This report also includes other supplementary information in addition to the basic financial statements.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference representing net assets. Over time, increases or decreases in the District's net assets may serve as an indicator of whether its financial health is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that affect cash flows in future periods. For example, property tax revenues have been recorded that have been earned but not yet collected and workers' compensation expenses have been accrued but not yet paid.

The government-wide financial statements of the District report on one category, governmental activities, as the District has no business-type activities or discretely presented component units for which the District is financially accountable.

Governmental Activities - All of the District's basic services are included here. Property taxes and benefit assessments finance almost all of the District's flood control activities.

FUND FINANCIAL STATEMENTS

The fund financial statements are designed to provide more detailed information about the District's significant funds. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. The District has two kinds of funds:

Governmental Funds - All of the District's basic services are included in the governmental funds that focus on how resources flow in and out and show the balances remaining at year-end that are available for spending. The governmental funds statements provide a detailed short-term view that helps readers determine whether there are more or fewer financial resources that can be spent in the near future on the District's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we show the relationship between governmental activities and governmental funds using the reconciliations on pages 20 and 23 and the notes to the basic financial statements.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Fiduciary Funds – These funds are used to report assets held in an agency capacity for others and cannot be used to support the District's activities. The District's agency funds are reported in this fund category using the accrual basis of accounting.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes can be found beginning on page 25 of this report.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the District's budget and actual revenues and expenditures on a budgetary basis. The RSI can be found on pages 40 through 42 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A comparative analysis of government-wide data is available and presented under the reporting model required by Governmental Accounting Standards Board (GASB) Statement No. 34. The District does not have business-type activities to report.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5.669 billion at the close of the most recent fiscal year (see Table 1).

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Table 1

Summary of Net Assets
As of June 30, 2007 and 2006
(in thousands)

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 168,280	\$175,050
Capital assets	<u>5,629,339</u>	<u>5,589,679</u>
Total assets	<u>\$5,797,619</u>	<u>\$5,764,729</u>
Current and other liabilities	\$ 12,807	\$ 16,395
Long-term liabilities	<u>115,995</u>	<u>129,941</u>
Total liabilities	<u>128,802</u>	<u>146,336</u>
Net assets:		
Invested in capital assets, net of related debt	5,515,779	5,461,839
Restricted net assets	2,176	17,759
Unrestricted net assets	<u>150,862</u>	<u>138,795</u>
Total net assets	<u>5,668,817</u>	<u>5,618,393</u>
Total liabilities and net assets	<u>\$5,797,619</u>	<u>\$5,764,729</u>

As indicated above, the District's total net assets consist of the following three components:

Capital Assets, Net of Related Debt

The District's capital assets, net of related debt, are \$5.516 billion. This represents its investment in capital assets (e.g., land and easements, buildings and improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. At June 30, 2007, the District reported bonds payable of \$114 million that were related to capital assets. It should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Restricted Net Assets

The District's restricted net assets at year-end were \$2 million. The asset restrictions are imposed by bond covenants for construction, debt service, and reserve purposes.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Unrestricted Net Assets

The District's unrestricted net assets, \$151 million, may be used to meet the District's ongoing financial requirements.

Governmental Activities

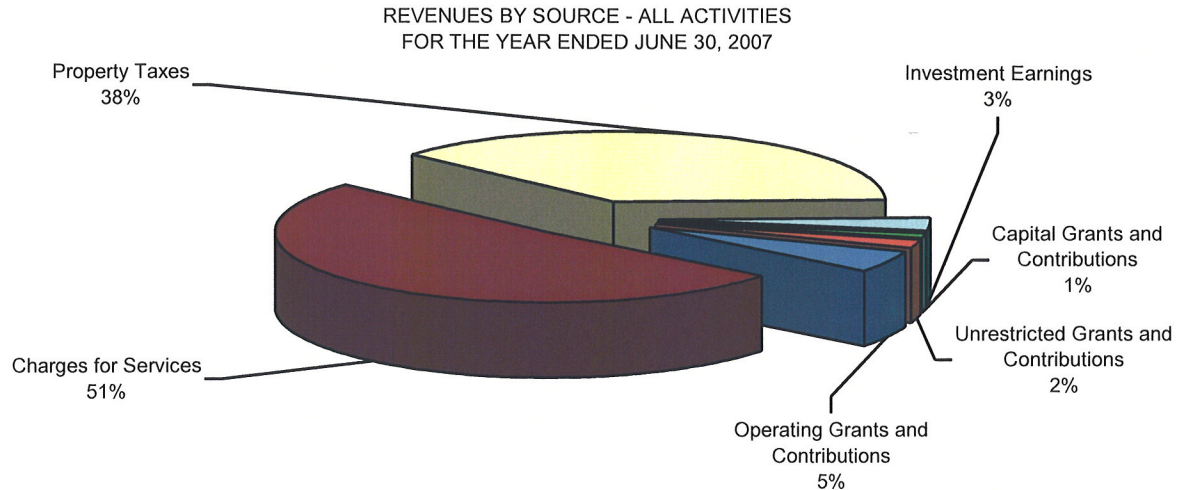
Table 2 indicates the changes in net assets for the governmental activities.

Table 2

**Summary of Changes in Net Assets
For the Years Ended June 30, 2007 and 2006
(in thousands)**

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 121,819	\$ 121,494
Operating grants and contributions	12,085	7,125
Capital grants and contributions	1,785	4,172
General revenues:		
Property taxes	88,858	76,423
Unrestricted grants and contributions	5,653	3,443
Investment earnings	6,613	4,961
Miscellaneous	<u>158</u>	<u>1,429</u>
Total revenues	<u>\$ 236,971</u>	<u>\$ 219,047</u>
Expenses:		
Public protection	\$ 180,993	\$ 163,535
Interest on long-term debt	<u>5,554</u>	<u>5,788</u>
Total expenses	<u>\$ 186,547</u>	<u>\$ 169,323</u>
Changes in net assets	\$ 50,424	\$ 49,724
Net assets – beginning	<u>5,618,393</u>	<u>5,568,669</u>
Net assets – ending	<u>\$5,668,817</u>	<u>\$5,618,393</u>

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**



The District's changes in net assets increased by \$1 million over the prior year. Following are the major factors that contributed to the net asset changes:

- Revenues from governmental activities increased by \$18 million (8%) over the prior year. The most significant changes in revenue were in the following areas:
 - Operating grants and contributions were \$5 million (70%) higher than the previous year due to reimbursements of \$1 million from the Department of Water Resources for the Integrated Regional Water Management Plans and \$4 million from the Federal Emergency Management Agency (FEMA) and the Office of Emergency Services (OES) for various January and February 2007 Winter Storm projects.
 - Capital grants and contributions were \$2 million (57%) lower than the previous year due to less reimbursement from FEMA for the District Headquarters Seismic Retrofit Project.
 - Property taxes were \$12 million (16%) higher than the previous year. The additional growth in property taxes was consistent with the continued upward trend in the County's assessed property values, although the housing market began to slow down during the fiscal year.
 - Unrestricted grants and contributions were \$2 million (64%) higher than the previous year due to a contribution from the Water Replenishment District of Southern California for the San Gabriel River Valley Boulevard – Rubber Dams 2 and 3 Project.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

- Investment earnings increased by \$2 million (33%) as a result of an increase in the yield from the County's Treasury Pool from 3.95% in the previous year to 5.25% in the current year. The District deposits all cash receipts in the County's Treasury Pool and the County manages the day-to-day investments of the District.
- Miscellaneous revenues were \$1 million (89%) lower than the previous year due primarily to a reduction in electricity sale from the San Gabriel Hydroelectric Plant to Southern California Edison Company as a result of low precipitation.
- Governmental activity expenses were \$17 million (10%) higher than the previous year, which were primarily due to increases in public protection spending.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure compliance with finance-related legal requirements.

Types of governmental funds reported by the District include the General, Debt Service, and Capital Projects Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined fund balance of \$146 million, a decrease of \$4 million in comparison with the prior year. The current year-end fund balance consists of \$104 million in reserves to indicate the extent that the funds have been committed or are otherwise unavailable for spending and \$34 million in designations that have been set aside for specific infrastructure improvements. The remaining \$8 million is unreserved and undesignated and is available for flood control purposes.

Revenues from the District's governmental funds, primarily the General Fund, were \$236 million, an increase of \$18 million (8%) from the previous year. The benefit assessment revenue of \$109 million, included as charges for services, was the major source of revenue for the governmental funds. The other significant source of revenue for the governmental funds was property taxes, which were \$89 million. Property taxes increased \$13 million (18%) from the previous year. Together, these two revenue sources account for 84% of total revenues for all the governmental funds. Expenditures for the governmental funds totaled \$241 million, an increase of \$31 million (15%) over the previous year. In the current year, expenditures for governmental activities exceeded revenues by \$4 million.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary Summary – Revenues/Financing Sources

Table 3 is a summary of current year budgetary changes and actual results for the District's General Fund revenues and other financing sources (in thousands).

Table 3

<u>Category</u>	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance - Positive (Negative)
Taxes	\$ 2,373	\$ 87,941	\$ 87,912	\$ (29)
Intergovernmental revenues		18,638	19,523	885
Charges for services		112,963	112,993	30
All other revenues	1,509	15,742	15,131	(611)
Other sources and transfers		14,130	12,288	(1,842)
Changes in reserves/designations	14,200	(7,766)	1,527	9,293
Total	\$18,082	\$241,648	\$249,374	\$7,726

Changes from Amounts Originally Budgeted

During the year, the net change in budgeted tax revenues, all other revenues, and changes in reserves and designations is \$18 million. The net change resulted from the following areas:

- The budgeted tax revenues were increased by \$2 million. The District's policy is to increase the budget for certain tax revenues that exceed the amounts originally budgeted. The revised budget action occurs at the end of the fiscal year and is designed to demonstrate compliance with legal provisions related to the appropriation of revenues from taxes.
- The increase of \$2 million related to "all other revenues" was in the investment income category. Estimated revenues from investment income were increased by \$2 million as a result of higher than anticipated yield on cash and investments throughout the year.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

- The changes in reserves and designations were \$14 million. This resulted from: (1) an \$18 million reclassification of the Los Angeles County Drainage Area (LACDA) designation to the designation of the Big Tujunga Dam Seismic Rehabilitation and Spillway Modification Project, (2) a \$5 million release of the LACDA designation (\$1 million) and the Sun Valley Watershed Management and Replenishment Project designation (\$4 million) to finance the Dominguez Gap Wetlands and Elysian Valley River Access Improvements projects, (3) an \$18 million release in designation of the Big Tujunga Dam Seismic Rehabilitation and Spillway Modification Project to finance its first year of construction costs, and (4) a \$9 million establishment of a new designation for the financing of the Termino Avenue Drain Project.
- **Actual Revenues/Financing Sources Compared With Final Budget Amounts**

Actual revenues and other financing sources recognized by the District's General Fund were \$8 million (3%) more than budgeted. The variance mainly resulted from the following:

- Increased billings to the California State Resources Agency for the Tujunga Wash Restoration Project.
- Decrease in: (1) rental payments of the Public Works headquarters building from the County to the District and (2) sale of electricity from the San Gabriel Hydroelectric Plant to Southern California Edison Company. The decrease is partially offset by an increase in investment earnings as the yield on investments was higher than anticipated.
- Decrease in reimbursement of \$2 million from the Capital Projects Fund to the General Fund for the District headquarters seismic retrofit project. This project was nearing its completion at the end of this fiscal year and the General Fund is fully reimbursed for its cost.
- Changes in reserves totaling \$9 million were decreased as a result of the cancellation of existing contracts and purchase orders resulting in additional unreserved funds.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Budgetary Summary - Expenditures/Other Financing Uses

Table 4 is a summary of current year budgetary changes and actual results for the District's General Fund expenditures and contingencies (in thousands).

Table 4

<u>Category</u>	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance - Positive
Public Protection	\$15,684	\$244,105	\$240,711	\$3,394
Contingencies	2,398	5,185		5,185
Total	\$18,082	\$249,290	\$240,711	\$8,579

Changes from Amounts Originally Budgeted

During the year, the net change in the District's General Fund budgeted public protection and contingencies is \$18 million. The net change resulted from the following areas:

- Budgeted public protection expenditures were increased by \$16 million. The increase is due to a \$2 million transfer of the canceled commitments from the District Headquarters Refurbishment Capital Project to the County Engineer Fund; an \$18 million release of the Big Tujunga Dam Seismic Rehabilitation and Spillway Modification Project designation to finance its first year of construction costs; and a \$5 million release of the LACDA designation (\$1 million) and the Sun Valley Watershed Management and Replenishment Project designation (\$4 million) to finance the District's funding requirements. The total \$23 million release in designations was partially offset by a \$9 million establishment of a new designation for the Termino Avenue Drain Project.
- Budgeted contingencies were increased by \$2 million as a result of actual tax revenues exceeding the original budget. The District's policy is to increase the budget for certain tax revenues that exceed the amounts originally budgeted. As indicated previously, the revised budget action occurs at the end of the fiscal year and is designed to demonstrate compliance with legal provisions related to the appropriation of revenues from taxes.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Actual Expenditures/Other Financing Uses Compared with Final Budget Amounts

Actual expenditures and other financing uses of the District's General Fund were \$9 million lower than budgeted. The variance of \$3 million in the public protection category resulted from changes in the District's project schedule that occur as a result of various circumstances that delay the award of a project for construction. Project delays are anticipated and an inventory of projects is kept to replace projects that remain in the planning stage or are delayed. The majority of the variance in public protection resulted from the completion of the District headquarters seismic retrofit and refurbishment projects and delay of the Eaton Yard Improvement Project.

Contingency appropriations of \$5 million were not utilized. The amount budgeted in this account was not eligible to be spent. The contingency appropriations were established to demonstrate compliance with legal provisions related to the appropriation of revenues from taxes in excess of the original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had \$5.629 billion (net of depreciation) invested in capital assets including land and easements, buildings and improvements, infrastructure, and equipment (see Table 5).

The District's capital assets (net of depreciation) for the current fiscal year increased \$40 million (0.7%) from the prior fiscal year:

**Table 5
Changes in Capital Assets, Net of Depreciation (in thousands)**

	Current Year	Prior Year	Increase (Decrease)
Land and easements	\$3,497,294	\$3,498,201	(\$907)
Buildings and improvements (B&I)	41,315	42,463	(1,148)
Infrastructure	2,008,301	1,979,297	29,004
Equipment	224	210	14
Construction-in-progress - B&I	28,168	14,072	14,096
Construction-in-progress - infrastructure	54,037	55,436	(1,399)
Total	\$5,629,339	\$5,589,679	\$ 39,660

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Current year infrastructure costs were capitalized for projects that remained in progress at the end of the year. The value of construction-in-progress at June 30, 2007, was \$54 million and the value will remain classified within the Construction-in-Progress category until the assets are completed.

Of the \$81 million in infrastructure asset additions, \$59 million were projects completed this year under the Construction-in-Progress category. These projects are listed below (asset addition values are shown before depreciation is deducted):

Barriers Improvements

- Alamitos Barrier Project Telemetry System – Phase 1 (\$739,000)

Catch Basin Improvements

- Priority A & B Catch Basin Retrofit in LA River Watershed, Phase 2 (\$1,000,000)

Channel Improvements

- San Gabriel River at Valley Boulevard – Rubber Dam (\$8,033,000)
- Buena Vista Channel Improvements (\$6,116,000)
- Tujunga Wash Restoration Project (\$3,366,000)
- Project No. 64, Eastern Avenue Drain – Channel Wall Repair (\$2,675,000)
- Los Angeles River – Side Drainage Repair (\$1,039,000)
- Live Oak Wash IAR and Live Oak SG Improvements (\$269,000)

Dam Improvements

- Morris Dam Rehabilitation of Drum Gates and Azusa Conduit Inlet (\$3,691,000)

Pumping Plants

- Dominguer Drain & Pump Station (\$8,401,000)
- Los Altos Pump Station (\$958,000)
- Boone-Olive Pump Station – Low Flow Diversion (\$437,000)

Spreading Grounds

- Rio Hondo S.G. – Vertical Drains (\$1,127,000)
- Various spreading ground projects (\$1,027,000)

Storm Drain Improvements

- Sun Valley Park Multi-Use Project (\$7,215,000)
- Mindora Drain – UDN No. 4-2.76 (\$2,257,000)
- Project No. 674 Santa Ynez Canyon – Low Flow Diversion (\$1,676,000)
- Rubio Wash – Storm Drain No. 1 – Channel Cover (\$1,338,000)
- Project No. 7401 – Low Flow Diversion at Ashland Avenue (\$1,122,000)
- Various storm drain improvement projects (\$6,668,000)

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

Debt Administration

At June 30, 2007, the District had \$116 million in long-term debt. The District's long-term debt consisted of \$370,000 in voter-approved general obligation bonds, \$113 million in revenue bonds, and \$2 million in other liabilities. The District's long-term debt decreased by approximately \$14 million (11%) in the current year as a result of scheduled debt service payments. Specific disclosures related to long-term obligations appear in Note 6.

The following table indicates the changes in the County's long-term debt during the year:

Table 6
Changes in Long-Term Debt (in thousands)

	Current Year	Prior Year	(Increase) Decrease
General Obligation Bonds	\$ 370	\$ 1,080	\$ 710
Capital Construction and Refunding Bonds	94,280	107,140	12,860
Revenue Bonds	18,910	19,620	710
Other Liabilities	2,435	2,101	(334)
Total	\$115,995	\$129,941	\$13,946

Bond Ratings

The District's debt is rated by Moody's, Standard and Poor's, and Fitch. The following is a schedule of ratings:

	<u>Moody's</u>	<u>Standard and Poor's</u>	<u>Fitch</u>
General Obligation Bonds	Aa1	AA	AA
Revenue Bonds	Aa1	AA-	AA

Economic Conditions and Outlook

The Board of Supervisors adopted the District's 2007-08 Budget on June 18, 2007. The Budget was adopted based on the estimated fund balance that would be available at the end of 2006-07. The Board updated the Budget on September 25, 2007, to reflect the final 2006-07 fund balance and other pertinent financial information. For the District's General Fund, the 2007-08 Budget as updated in September 2007, utilized \$16 million of available fund balance, which exceeded the previously estimated fund balance of \$9 million. The additional fund balance of \$7 million was appropriated or designated for flood control infrastructure improvement needs.

**LOS ANGELES COUNTY
FLOOD CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS-Continued**

The economic outlook for the District remains positive; however, the slowing resale housing market and the evolving and stringent stormwater and urban water runoff quality regulations continue to pose major risks to the District. The downturn in the housing market presents a potential negative impact on the benefit assessment and property tax revenues as they are the primary sources of local funding for the District. Since revenues are not keeping pace with the increasing costs of construction, repair and rehabilitation of channel improvements, and runoff regulations, the District proactively seek grants, project partnering, and other new funding sources to help finance these increasing costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the District's Financial Management Branch at the Department of Public Works, 900 South Fremont Avenue, 7th Floor, Alhambra, California 91803-1331.

Basic Financial Statements

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007 (in thousands)

		GOVERNMENTAL ACTIVITIES
ASSETS		
Pooled cash and investments (Notes 1 and 4)	\$	132,421
Advances to the County of Los Angeles		6,213
Other investments (Notes 1 and 4)		1,417
Taxes receivable		16,371
Interest receivable		994
Other receivables		10,864
Capital assets: (Notes 1 and 5)		
Land and easements and construction-in-progress	\$ 3,579,499	
Other capital assets, net of depreciation	2,049,840	
Total capital assets		5,629,339
TOTAL ASSETS		5,797,619
LIABILITIES		
Accounts payable		7,109
Other payables		49
Accrued interest payable		1,704
Unearned revenue		3,945
Noncurrent liabilities: (Notes 6 and 8)		
Due within one year		16,772
Due in more than one year		99,223
TOTAL LIABILITIES		128,802
NET ASSETS		
Invested in capital assets, net of related debt		5,515,779
Restricted for:		
Capital projects		1,516
Debt service		660
Unrestricted		150,862
TOTAL NET ASSETS	\$	5,668,817

The notes to the basic financial statements are an integral part of this statement.

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)**

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
Public protection	\$ 180,993	121,819	12,085	1,785	\$ (45,304)
Interest on long-term debt	5,554				(5,554)
Total	\$ 186,547	121,819	12,085	1,785	(50,858)
General revenues:					
Property taxes					88,858
Grants and contributions not restricted to special programs					5,653
Investment earnings					6,613
Miscellaneous					158
Total general revenues					101,282
Change in net assets					50,424
Net assets - July 1, 2006					5,618,393
Net assets - June 30, 2007					<u>\$ 5,668,817</u>

The notes to the basic financial statements are an integral part of this statement.

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007 (in thousands)**

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Pooled cash and investments (Notes 1 and 4)	\$ 131,751	571	99	\$ 132,421
Advances to the County of Los Angeles	6,213			6,213
Other investments (Notes 1 and 4)			1,417	1,417
Taxes receivable	8,621	641		9,262
Interest receivable	990	4		994
Assessments receivable	7,109			7,109
Other receivables	10,864			10,864
TOTAL ASSETS	\$ 165,548	1,216	1,516	\$ 168,280
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 7,109			\$ 7,109
Other payable		49		49
Unearned revenue	15,059	504		15,563
TOTAL LIABILITIES	\$ 22,168	553		\$ 22,721
FUND BALANCES:				
Reserved for:				
Encumbrances	\$ 100,464			\$ 100,464
Special purposes	3,011			3,011
Debt service		663		663
Unreserved:				
Designated for flood control projects	33,814			33,814
Undesignated	6,091		1,516	7,607
TOTAL FUND BALANCES	\$ 143,380	663	1,516	\$ 145,559
TOTAL LIABILITIES AND FUND BALANCES	\$ 165,548	1,216	1,516	\$ 168,280

The notes to the basic financial statements are an integral part of this statement.

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007 (in thousands)**

Fund balance of total governmental funds (page 19) \$ 145,559

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets in governmental activities are not current financial
resources and therefore are not reported in governmental funds:

Land and easements	\$ 3,497,294	
Construction-in-progress	82,205	
Buildings and improvements - net	41,315	
Equipment - net	224	
Infrastructure - net	<u>2,008,301</u>	5,629,339

Other long-term assets are not available to pay for current-
period expenditures and are deferred, or not recognized,
in governmental funds:

Unearned revenue	11,618
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Accrued interest payable is not recognized in governmental funds	(1,704)
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The following long-term liabilities are not due and payable in the
current period and therefore are not reported in the governmental funds:

Bonds and notes payable	(113,560)	
Litigation/self insurance	<u>(2,435)</u>	(115,995)

Net assets of governmental activities (page 17)	<u><u>\$ 5,668,817</u></u>
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The notes to the basic financial statements are an integral part of this statement.

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)**

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	\$ 88,011	594		\$ 88,605
Licenses and permits	514			514
Fines, forfeitures, and penalties	1,060			1,060
Interest	6,113	46	454	6,613
Rents and royalties	7,301			7,301
Intergovernmental revenues:				
Federal	5,375			5,375
State	9,324			9,324
Other	4,824			4,824
Charges for services	112,524			112,524
Miscellaneous	187			187
TOTAL REVENUES	235,233	640	454	236,327
EXPENDITURES:				
Current public protection:				
Services and supplies	210,597			210,597
Other charges	(5,479)	1		(5,478)
Principal		14,280		14,280
Interest		5,560		5,560
Capital outlay	1,732		14,096	15,828
TOTAL EXPENDITURES	206,850	19,841	14,096	240,787
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	28,383	(19,201)	(13,642)	(4,460)

Continued...

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - Continued
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)**

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	\$ 599			\$ 599
Transfers in		19,039	11	19,050
Transfers out	(19,039)	(11)		(19,050)
OTHER FINANCING SOURCES (USES)	(18,440)	19,028	11	599
NET CHANGE IN FUND BALANCES	9,943	(173)	(13,631)	(3,861)
FUND BALANCE - BEGINNING	133,437	836	15,147	149,420
FUND BALANCE - ENDING	\$ 143,380	663	1,516	\$ 145,559

The notes to the basic financial statements are an integral part of this statement.

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)**

Net change in fund balances - total governmental funds (page 22)	\$	(3,861)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Expenditures for general capital assets, infrastructure and other related capital asset adjustments	\$	93,554	
Less - current year depreciation expense		(53,266)	40,288

In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources, thus, the change in net assets differs from the change in fund balance	(628)
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Revenue timing differences result in more revenue in Government-wide Statements	673
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Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets	14,280
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Accrued interest for bonds payable; this is the net change in accrued interest for the current period	6
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Some expenses reported in the accompanying Statement of Activities do not require (or provide) the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in litigation/self insurance		(334)
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Change in net assets of governmental activities (page 18)	\$	50,424
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The notes to the basic financial statements are an integral part of this statement.

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007 (in thousands)**

	AGENCY FUNDS
	<hr/>
ASSETS	
Pooled cash and investments (Notes 1 and 4)	<u>\$ 3,239</u>
TOTAL ASSETS	<u><u>\$ 3,239</u></u>
LIABILITIES	
Deposits payable	<u>\$ 3,239</u>
TOTAL LIABILITIES	<u><u>\$ 3,239</u></u>

The notes to the basic financial statements are an integral part of this statement.

Notes to the Basic Financial Statements

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Los Angeles County Flood Control District (District) is empowered to carry out the objectives of the Los Angeles County Flood Control Act. Its objectives are to provide for the control and conservation of flood, storm, and other wastewater as well as to protect from damage the harbors, waterways, public highways, and property within the District from such flood or stormwaters. District powers are exercised through the County of Los Angeles Board of Supervisors (Board), which acts as the District's governing body. The duties of the Board include approving the District's budget, determining the District's tax rates, approving contracts, and determining when to issue bonds authorized by the voters of the District.

Reporting Entity

District management has determined that the Public Works Financing Authority (PWFA) should be included in the basic financial statements of the District as a blended component unit. The PWFA is dependent upon the District for funding. The PWFA is a public agency organized pursuant to a Joint Exercise of Powers Agreement between the District and the County dated May 18, 1993. The PWFA is empowered to finance District capital assets through the issuance of bonds.

Blended component units are entities that, because of the closeness of the relationship with the primary government, should be blended in the basic financial statements as though they are part of the primary government. The District does not have any component units that should be discretely presented. Additional financial information for the PWFA may be obtained from the Department of Public Works at 900 South Fremont Avenue, Alhambra, California 91803.

The District is included as a blended component unit in the County financial reporting entity and is included in the County's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007. The financial resources and operations of the District are accounted for in the fund types discussed below.

Basis of Accounting and Measurement Focus

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Financial reporting incorporates all GASB pronouncements.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements

Government-wide financial statements display information about the District as a whole. The Statement of Net Assets and Statement of Activities display information about the District except for fiduciary activities.

Basis of Accounting

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the basic financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Proceeds of long-term debt are recorded as a liability rather than as another financial source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as an expenditure.

Net assets are classified into the following three categories: (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. Net assets are reported as restricted when their use has been constrained by externally imposed conditions. Such conditions include limitations imposed by creditors (such as through debt covenants), grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted net assets are available, restricted resources are used first and then unrestricted resources are used to the extent necessary.

Fund Financial Statements

The accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are presented after the government-wide financial statements. These statements display information about major funds individually and in the aggregate for governmental funds.

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for governmental and fiduciary fund categories are presented.

The District reports on the following major governmental funds:

- General Fund

The General Fund is available for any authorized purpose and is used to account for all financial resources except those required to be accounted for in another fund.

- Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

- Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of flood control structures financed by long-term debt.

- Fiduciary Funds (Agency Funds)

The Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental entities, or other funds.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting

In the fund financial statements, governmental funds are presented using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance operations during the year. Secured and unsecured property taxes and benefit assessments estimated to be collectable in future years are recorded as receivables and deferred revenue. The accrual of property tax revenues is generally limited to the extent that collection occurs within 60 days after the balance sheet date.

Interest income and charges for current services are accrued when earned and determined available. Changes in the fair value of investments are recognized as revenues at the end of each year. Federal and State grants are recorded as revenue when determined to be available, entitlement occurs, and related eligible expenditures are incurred. Revenues that are not accrued include licenses, permits, and miscellaneous revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except for interest on long-term debt, which is recognized when payment is due.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Noncurrent portions of long-term receivables due from governmental funds are reported on the District's balance sheet and are offset by deferred revenue. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

As a result of its spending measurement focus, expenditure recognition for governmental fund types excludes transactions involving noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State's Government Code and Revenue and Taxation Code. Property is assessed at full cash or market value (with some exceptions). Pursuant to such legislation, the Board levies a property tax to support general operations of the various jurisdictions (ad valorem tax). This tax is limited to one percent (1%) of full cash value of property and collections are distributed in accordance with statutory formulae. The District receives an apportionment from the property tax levy which is a major source of District revenue.

Property taxes are levied on both real and personal property. Secured property taxes are levied during September of each year. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments: the first is due November 1 and is delinquent with penalties after December 10; the second is due February 1 and is delinquent with penalties after April 10. Secured property taxes that are delinquent and unpaid as of June 30 are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property may be sold at public auction. The proceeds are used to pay the delinquent amounts due and any excess is remitted, if claimed, to the taxpayer.

Unsecured personal property taxes are not a lien against real property. These taxes are due on January 1 and become delinquent, if unpaid, on August 31. Unsecured property tax receivables are reduced by an amount estimated to be uncollectible, which is based on a five-year historical average collection percentage.

Benefit Assessments

The District, as authorized by the State's Government Code, levies an assessment on each parcel of real property within the District, except on property owned by Federal, State, or local government agencies. The assessment, as approved by the Board, is levied in proportion to benefits received and determined on the basis of the proportionate stormwater runoff from each parcel. The purpose of benefit assessments is to cover the cost of providing flood control services within the District not offset by other available revenues.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the accompanying financial statements reflect the fair value of investments. Changes in fair value that occur during a fiscal year are recognized as investment income reported for the fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

All cash and investment balances of the District are pooled and invested by the County Treasurer and are subject to withdrawal from the pool upon demand. Each fund's share in the pool is displayed in the accompanying financial statements as pooled cash and investments. Investment income earned by the pooled investments is allocated to various funds based on the fund's average cash and investment balance as provided by Government Code Section 53647.

The fair value of pooled investments is determined annually and based on current market prices. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawals rather than market value.

Other Investments

"Other Investments" represents investment and interest earnings related to the debt issuance currently held in trust by the Bank of New York Trust Company, N. A.

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlays are recorded as expenditures of the General and Capital Projects Funds and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met.

The County's policy is to record infrastructure costs as services and supplies expenditures in the General Fund and capitalize as assets in the government-wide financial statements to the extent the District's capitalization threshold is met.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

The District's capitalization thresholds are \$5,000 for equipment, \$100,000 for buildings and improvements, and \$100,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations. Specific disclosures related to capital assets appear in Note 5.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 to 50 years
Equipment	2 to 35 years
Infrastructure	10 to 50 years

2. NEW ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board Statement No. 45

The GASB has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits." GASB 45 establishes financial reporting standards designed to measure, recognize, and display OPEB costs. The District intends to implement GASB 45 in Fiscal Year 2007-08.

Governmental Accounting Standards Board Statement No. 49

The GASB has issued Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." GASB 49 provides guidance on accounting and financial reporting for pollution (including contamination) remediation obligations such as site assessments and cleanups. The District intends to implement GASB 49 in Fiscal Year 2008-09.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

3. TRANSACTIONS WITH THE COUNTY

Pursuant to an agreement between the District and the County, the County is responsible for providing all necessary employees to the District for purposes of performing District functions. Costs related to these employees are billed to the District based on actual time spent providing services to the District. Supply and equipment costs are also billed based on actual usage by the District. Accordingly, the District has no supplies inventory or employee-related liabilities (e.g., pension, compensated absences, and workers' compensation). For the year ended June 30, 2007, the County's billings to the District's General Fund approximated \$94,038,000. Costs associated with shared equipment funded through the Department of Public Works Internal Service Fund and the transfer of the canceled commitments from the District Headquarters Refurbishment Capital Project to the County Engineer Fund are recorded in the District's financial statements as expense under "Public Protection." For the year ended June 30, 2007, this expense from the District's General Fund was \$2,026,000.

The District has numerous transactions with the other funds of the County in order to finance operations, provide services, purchase assets, and apportion property taxes. To the extent that certain transactions between the District and these funds have not been paid or received as of June 30, 2007, the net balances of interfund amounts receivable or payable have been converted to cash for financial statement presentation.

On April 16, 1990, the District entered into a cost-sharing agreement with the County relative to the Public Works headquarters building. The agreement provides for the County to make rental payments to the District in exchange for its occupancy of the headquarters. Furthermore, the County agreed to pay for its proportionate share of the headquarters operating costs. For the year ended June 30, 2007, County rental payments to the District totaled \$4,874,000.

The District issued certificates of participation in 1987 to acquire the headquarters building. These certificates were defeased and replaced with refunding bonds in August 1993. The 1993 refunding bonds were refunded in January 2003 (see Note 6). The District's management has no intention of selling the headquarters. However, in the event the headquarters were to be sold, the proceeds of the sale in excess of any outstanding indebtedness would be shared by the District and the County in proportion to each entity's share of the headquarters' cost.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

4. CASH AND INVESTMENTS

Pooled Cash and Investments

As provided for by the Government Code, certain cash balances of the District are pooled and invested by the County Treasurer and are subject to withdrawal from the pool upon demand. As of June 30, 2007, the District's share of the total pooled cash and investments included in the Statement of Net Assets and Balance Sheet under "pooled cash and investments" was \$132,421,000, which represents approximately 0.70% of the total pool. The "pooled cash and investments" reported on the Statement of Fiduciary Net Assets was \$3,239,000.

Interest earned on pooled investments is deposited monthly based upon the average daily deposit balance during the allocation period. Investment gains and losses are proportionately shared by the entities participating in the pool as an increase or reduction in interest earnings. The net unrealized loss on the District's proportionate share of investments held in the Treasurer's Pool was \$234,000 as of June 30, 2007. Statutes authorize the pool to invest in obligations of the United States Treasury, federal agencies, municipalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, negotiable certificates of deposit, floating rate notes, repurchase agreements, and reverse repurchase agreements.

Investments are managed by the County Treasurer, who provides status reports on a monthly basis to the Board. In addition, the County Treasury Oversight Committee reviews and monitors the County's investment policy. The Committee membership includes the Treasurer and Tax Collector, Auditor-Controller, Superintendent of Schools, Chief Administrative Officer, and a non-County representative.

GASB Statement No. 3 exempts participating entities from classifying their pool investments in categories of credit risk; however, GASB Statement No. 40 requires disclosures of common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. Information on common deposit and investment risks for the entire County Treasurer Pool is presented in Note 4 to the County of Los Angeles Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007.

Other Investments

Short-term investments of Milestone Treasury are managed by the Bank of New York Trust company, N. A.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007, is as follows (in thousands):

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<u>Governmental Activities</u>				
Capital assets, not depreciated:				
Land and easements	\$ 3,498,201	533	(1,440)	\$ 3,497,294
Construction-in-progress - buildings and improvements	14,072	14,096		28,168
Construction-in-progress - infrastructure	55,436	35,413	(36,812)	54,037
Subtotal	3,567,709	50,042	(38,252)	3,579,499
Capital assets, being depreciated:				
Buildings and improvements	64,880		(46)	64,834
Equipment	1,546	63	(37)	1,572
Infrastructure	3,277,813	80,965	(1,555)	3,357,223
Subtotal	3,344,239	81,028	(1,638)	3,423,629
Less accumulated depreciation:				
Buildings and improvements	22,417	1,139	(37)	23,519
Equipment	1,336	45	(33)	1,348
Infrastructure	1,298,516	52,082	(1,676)	1,348,922
Subtotal	1,322,269	53,266	(1,746)	1,373,789
Total capital assets, being depreciated, net	2,021,970	27,762	108	2,049,840
Total capital assets, net	\$5,589,679	77,804	(38,144)	\$5,629,339
<u>Depreciation Expense</u>				
Governmental activities:				
Public protection				\$ 53,266
Total depreciation expense, governmental activities				\$ 53,266

The capital asset adjustment of \$93,554,000 shown in the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the year ended June 30, 2007 (page 23), are detailed as follows (in thousands):

Capital Assets Adjustment:

Buildings and improvements	\$13,399
Construction-in-progress – infrastructure	845
Infrastructure	77,564
Add: Deletion from Accumulated Depreciation	1,746
Total Capital Asset Adjustment	\$93,554

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

6. LONG-TERM OBLIGATIONS

Long-term obligations of the District consist of general obligation bonds, capital construction and refunding bonds, and other liabilities (Note 8).

General Obligation Bonds

Pursuant to the Los Angeles County Flood Control Act and subject to voter approval, the District is authorized to issue bonds. The proceeds from the sale of bonds were used for the construction of storm drain systems. Revenue for retirement of such bonds is provided from ad valorem taxes on property within the District. In 1970, the District issued \$252,000,000 in bonds, maturing in 2008, with interest rates from 4.0% to 8.2%. The District's general obligation bonds outstanding at June 30, 2007, are summarized as follows (in thousands):

\$252,000 authorized in 1970, \$252,000 issued; due in annual installments through 2008; interest at 4.0% to 8.2%	\$370
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Aggregate debt service requirements to maturity of general obligation bonds as of June 30, 2007, are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 370	\$ 9
Total	<u>\$ 370</u>	<u>\$ 9</u>

Capital Construction and Refunding Bonds

On January 30, 2003, the Los Angeles County Public Works Financing Authority issued \$143,195,000 in refunding revenue bonds, maturing on various dates between 2004 and 2017, with an average interest rate of 3.34%. These bonds were issued to refund the outstanding principal amount of \$147,565,000 of capital construction and refunding bonds issued in 1993 at an interest rate of 5%.

The District's capital construction and refunding bonds outstanding at June 30, 2007, are summarized as follows (in thousands):

\$143,195 issued in 2003; due in annual installments through 2017; average interest at 3.34%	\$94,280
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LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

6. LONG-TERM OBLIGATIONS-Continued

Aggregate maturity of capital construction and refunding bonds as of June 30, 2007, are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 13,245	\$ 4,342
2009	13,740	3,845
2010	14,300	3,283
2011	14,985	2,598
2012	15,735	1,848
2013-2017	22,275	1,668
Total	<u>\$ 94,280</u>	<u>\$17,584</u>

Revenue Bonds Series 2005A

On July 13, 2005, the Los Angeles County Public Works Financing Authority issued \$20,540,000 in revenue bonds, maturing on various dates between 2006 and 2025, with interest rates ranging from 4% to 4.125%. Bond proceeds were used to finance the design, renovation, improvement, and seismic retrofitting of the District's headquarters building and to pay certain costs of issuance incurred in connection with the Series 2005A Bonds. The District's revenue bonds outstanding at June 30, 2007, are summarized as follows (in thousands):

\$20,540 issued in 2005; due in annual installments through 2025; interest at 4% to 4.125%	\$18,910
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Aggregate maturity of revenue bonds as of June 30, 2007, are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 735	\$ 761
2009	765	732
2010	795	701
2011	830	669
2012	865	636
2013-2017	4,860	2,633
2018-2022	5,910	1,580
2023-2025	4,150	346
Total	<u>\$ 18,910</u>	<u>\$ 8,058</u>

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

6. LONG-TERM OBLIGATIONS-Continued

Changes in Long-Term Obligations

The following is a summary of long-term obligations for the fiscal year ended June 30, 2007 (in thousands):

	<u>Balance July 1, 2006</u>	<u>Additions (Deletions)</u>	<u>Maturities</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
Bonds Payable	\$127,840		(14,280)	\$113,560	\$14,350
Other Liabilities (Note 8)	<u>2,101</u>	<u>334</u>		<u>2,435</u>	<u>2,422</u>
Total	<u>\$129,941</u>	<u>334</u>	<u>(14,280)</u>	<u>\$115,995</u>	<u>\$16,772</u>

7. INTERFUND TRANSACTIONS

Interfund transfers made during the year between the General, Debt Service, and the Capital Projects Funds were in accordance with long-term debt covenants. Interfund transfers to/from other funds for the year ended June 30, 2007, are as follows (in thousands):

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$19,039
Debt Service Fund	Capital Projects Fund	<u>11</u>
Total		<u>\$19,050</u>

8. RISK MANAGEMENT

The District has programs to address public liability and property damage. There were no settlements related to these programs that exceeded insurance coverage during Fiscal Year 2006-07. The District bears the risk for all loss exposure in excess of insurance coverage. Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The District utilizes actuarial studies, historical data, and individual claim reviews to estimate these liabilities.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

8. RISK MANAGEMENT-Continued

As of June 30, 2007, the District's best estimate of these probable judgment liabilities is \$2,435,000. Changes in the reported liability since July 1, 2005, resulted from the following (in thousands):

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2005-06	\$5,392	(\$3,063)	(\$228)	\$2,101
2006-07	\$2,101	\$629	(\$295)	\$2,435

9. PROPOSITION 218

In November 1996, voters approved the "Right to Vote on Taxes Act" (Proposition 218), which limits the District's ability to levy additional property-related benefit assessments without owner approval. In September 1998, the Board approved ordinance amendments to bring the County's general purpose taxes into conformance with Proposition 218. The District's existing benefit assessments are exempt under Proposition 218. However, any future increases to property-related benefit assessments may be subject to property owner approval.

10. FEDERAL CLEAN WATER ACT

The Federal Clean Water Act mandates that the United States Environmental Protection Agency and all states establish Total Maximum Daily Load (TMDL) regulations to restore and protect the health of the nation's surface water bodies when they can no longer attain beneficial uses due to pollution despite existing pollution control programs. A TMDL is simply defined as the amount of a pollutant that a water body can receive while meeting water quality standards. In the County of Los Angeles, the Los Angeles Regional Water Quality Control Board is responsible for developing TMDLs. The first TMDL in the County was established in 2000; in the ensuing years, 14 more TMDLs have been established. By 2012, up to 30 TMDLs will need to be established to restore and protect the streams, lakes, and shorelines within the County. Achieving compliance with the TMDLs poses monumental technological, economical, and political challenges to the District.

The District is currently taking measures to comply with the current and forthcoming TMDL requirements. The predicted financial impact to the District in complying with all the forthcoming TMDL requirements over the next several years and beyond will be significant.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-Continued

11. SUBSEQUENT EVENTS

Propositions 1E - The Disaster Preparedness and Flood Prevention
Bond Act of 2006 and 84 – The Safe Drinking Water, Water Quality
and Supply, Flood Control, River and Coastal Protection Bond Act of 2006

On November 7, 2006, the voter approval of infrastructure ballot measures for California State Propositions 1E and 84 provides for the State to sell bonds to finance projects relating to enhancing flood protection and improving stormwater runoff quality. Both of these measures will provide considerable funding to the County; however, the full funding impact to the District cannot be determined at this time until the bond implementation legislation and funding guidelines are established.

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION
LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007 (In thousands)

	GENERAL FUND			
	ORIGINAL	FINAL	ACTUAL ON	VARIANCE
	BUDGET	BUDGET	BUDGETARY	FROM
			BASIS	FINAL
				BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES:				
Taxes	\$ 85,568	\$ 87,941	\$ 87,912	\$ (29)
Licenses and permits	501	501	514	13
Fines, forfeitures, and penalties	1,150	1,150	1,059	(91)
Revenue from use of money and property:				
Investment income	2,305	3,814	6,070	2,256
Rents and concessions	8,305	8,305	6,995	(1,310)
Royalties	170	170	306	136
Intergovernmental revenues:				
Federal	8,350	8,350	5,375	(2,975)
State	7,516	7,516	9,324	1,808
Other	2,772	2,772	4,824	2,052
Charges for services	112,963	112,963	112,993	30
Miscellaneous	1,802	1,802	187	(1,615)
TOTAL REVENUES	231,402	235,284	235,559	275
EXPENDITURES:				
Current - Public protection:				
Services and supplies	189,953	207,438	207,437	1
Other charges	20,066	19,398	19,397	1
Capital assets	17,460	15,243	11,851	3,392
TOTAL EXPENDITURES	227,479	242,079	238,685	3,394
REVENUES OVER/(UNDER) EXPENDITURES	3,923	(6,795)	(3,126)	3,669
OTHER FINANCING SOURCES (USES):				
Sales of capital assets			\$ 600	\$ 600
Transfers in	14,130	14,130	11,688	(2,442)
Transfers out	(942)	(2,026)	(2,026)	
Appropriation for contingencies	(2,787)	(5,185)		5,185
Changes in reserves and designations	(21,966)	(7,766)	1,527	9,293
OTHER FINANCING SOURCES (USES)-NET	(11,565)	(847)	11,789	12,636
NET CHANGE IN FUND BALANCE	(7,642)	(7,642)	8,663	16,305
FUND BALANCE, JULY 1, 2006	7,642	7,642	7,642	
FUND BALANCE, JUNE 30, 2007			\$ 16,305	\$ 16,305

See accompanying notes to required supplementary information.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY DATA

In accordance with the provisions of Section 29000-29144 of the State's Government Code, commonly known as the County Budget Act, a District budget must be adopted on or before August 30 for each fiscal year. Budgets are adopted for the General Fund and the Debt Service Fund on a basis of accounting which is different from generally accepted accounting principles (GAAP). Note 2 indicates specific differences between the two bases of accounting as of June 30, 2007. The major areas of difference are as follows:

- Under the budgetary basis, designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the District recognizes them as uses of budgetary fund balance. Designations that are subsequently cancelled or otherwise made available for appropriation are recorded as other financing sources.
- Under the budgetary basis, encumbrances and other reserves are also recorded as other financing uses at the time they are established. For encumbrances, this occurs at the time contracts or purchase agreements are entered into. Under the GAAP basis, these obligations are only recognized when goods are received or services are rendered. Other reserves are also recognized as other financing uses to indicate that certain assets are not available for appropriation. Cancellations of encumbrances and other fund balance reserves are recorded as other financing sources for budgetary purposes.
- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the GAAP basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.
- Under the GAAP basis, investment income includes the effect of changes in the fair value of investment. Under the budgetary basis, investment income is recognized prior to the effect of such fair value changes.

Expenditures are controlled at the object level for all District budgets, except for fixed asset expenditures, which are controlled at the subobject level. Expenditures did not exceed the related appropriations within any fund at June 30, 2007.

Encumbrances are set aside appropriations related to purchase orders or contracts for goods or services and are recorded to assure budgetary control and accountability in the General Fund and Capital Projects Fund. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately expected to result if the unperformed purchase orders or contracts in process at year-end are completed. Encumbrances outstanding at year-end do not

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-Continued

1. BUDGETARY DATA-Continued

constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as reservations of fund balances for subsequent year expenditures (see Note 2).

Any excess of budgeted expenditures and other financing uses over revenue and other financing sources is financed by beginning available fund balance as provided for in the County Budget Act.

2. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP

The District's Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual on Budgetary Basis for the General Fund has been prepared on the budgetary basis of accounting which is different from GAAP.

The amounts presented for the governmental fund statements are based on the modified accrual basis (GAAP) of accounting and differ from the amounts presented on the budgetary basis of accounting. The following schedule is a reconciliation of the budgetary and GAAP basis fund balances as of June 30, 2007 (in thousands):

	General Fund
Fund Balance – Budgetary Basis	\$ 16,305
Reserves and Designations	<u>137,289</u>
Subtotal	153,594
Adjustments:	
Change in Accounts Payable Accruals	(4,238)
Change in Revenue Accruals	<u>(5,976)</u>
Fund Balance – GAAP Basis	<u>\$143,380</u>

Other Supplementary Information

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL ON BUDGETARY BASIS
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)

	DEBT SERVICE FUND			
	ORIGINAL	FINAL	ACTUAL ON	VARIANCE
	BUDGET	BUDGET	BUDGETARY	FROM
			BASIS	FINAL
				BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES:				
Taxes	\$ 399	\$ 401	\$ 551	\$ 150
Fines, forfeitures, and penalties	4	4		(4)
Revenue from use of money and property:				
Investment Income	11	11	35	24
TOTAL REVENUES	414	416	586	170
EXPENDITURES:				
Principal	710	710	710	
Interest	43	45	44	1
TOTAL EXPENDITURES	753	755	754	1
REVENUES OVER/(UNDER) EXPENDITURES	(339)	(339)	(168)	171
OTHER FINANCING SOURCES (USES):				
Appropriation for contingencies	(8)	(8)		8
Changes in reserves and designations	184	184	184	
OTHER FINANCING SOURCES (USES)-NET	176	176	184	8
NET CHANGE IN FUND BALANCE	(163)	(163)	16	179
FUND BALANCE, JULY 1, 2006	163	163	163	
FUND BALANCE, JUNE 30, 2007			\$ 179	\$ 179

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007 (in thousands)**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Pooled cash and investments	\$ 3,389	253	(403)	\$ 3,239
TOTAL ASSETS	<u>\$ 3,389</u>	<u>253</u>	<u>(403)</u>	<u>\$ 3,239</u>
LIABILITIES				
Deposits payable	\$ (3,389)	(253)	403	\$ (3,239)
TOTAL LIABILITIES	<u>\$ (3,389)</u>	<u>(253)</u>	<u>403</u>	<u>\$ (3,239)</u>

STATISTICAL SECTION

The information in this section is not covered by the Independent Auditors' Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to better understand and assess the District's overall financial health.

CONTENTS	<u>PAGE</u>
FINANCIAL TRENDS	45
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
REVENUE CAPACITY.....	51
These schedules contain trend information to help the reader assess the District's most significant local revenue source, the property tax.	
DEBT CAPACITY	55
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
DEMOGRAPHIC AND ECONOMIC INFORMATION.....	61
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
OPERATING INFORMATION.....	64
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
NET ASSETS BY CATEGORY (UNAUDITED)
LAST SIX FISCAL YEARS (in thousands)
(accrual basis of accounting)

	(1)	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Governmental activities (2)							
Invested in capital assets, net of related debt (deficit)	\$	(85,127)	\$ (33,487)	\$ 16,000	\$ 67,884	\$ 5,461,839	\$ 5,515,779
Restricted (3)		2,430	4,769	3,313	1,700	17,759	2,176
Unrestricted		126,159	121,973	122,965	122,695	138,795	150,862
Total government net assets		43,462	93,255	142,278	192,279	5,618,393	5,668,817
Primary government							
Invested in capital assets, net of related debt (deficit)		(85,127)	(33,487)	16,000	67,884	5,461,839	5,515,779
Restricted (3)		2,430	4,769	3,313	1,700	17,759	2,176
Unrestricted		126,159	121,973	122,965	122,695	138,795	150,862
Total primary government net assets	\$	43,462	\$ 93,255	\$ 142,278	\$ 192,279	\$ 5,618,393	\$ 5,668,817

Notes:

- (1) Trend data is available for only the prior five fiscal years since the implementation of GASB 34.
- (2) This schedule reports on one category, governmental activities, as the District has no business-type activities to be reported.
- (3) Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 CHANGES IN NET ASSETS (UNAUDITED)
 LAST SIX FISCAL YEARS (in thousands)
 (accrual basis of accounting)

	(1)	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Expenses							
Governmental activities (2)							
General government							
Public protection		\$ 150,222	\$ 149,353	\$ 150,623	\$ 147,942	\$ 163,535	\$ 180,993
Interest on long-term debt		8,979	9,293	6,199	5,534	5,788	5,554
Total governmental activities expenses		<u>159,201</u>	<u>158,646</u>	<u>156,822</u>	<u>153,476</u>	<u>169,323</u>	<u>186,547</u>
Total primary government expenses		<u>159,201</u>	<u>158,646</u>	<u>156,822</u>	<u>153,476</u>	<u>169,323</u>	<u>186,547</u>
Program Revenues							
Governmental activities							
Charges for services							
Benefit Assessments		107,556	108,685	109,028	109,544	109,390	109,136
Other charges for services		8,592	14,368	11,538	9,164	12,104	12,683
Subtotal governmental activities charges for services		<u>116,148</u>	<u>123,053</u>	<u>120,566</u>	<u>118,708</u>	<u>121,494</u>	<u>121,819</u>
Operating grants and contributions		1,817	1,194	5,600	4,931	7,125	12,085
Capital grants and contributions		204	1,448	533	926	4,172	1,785
Total governmental activities program revenue		<u>118,169</u>	<u>125,695</u>	<u>126,699</u>	<u>124,565</u>	<u>132,791</u>	<u>135,689</u>
Total primary government revenues		<u>118,169</u>	<u>125,695</u>	<u>126,699</u>	<u>124,565</u>	<u>132,791</u>	<u>135,689</u>
Net (expense)/revenue:							
Government activities		(41,032)	(32,951)	(30,123)	(28,911)	(36,532)	(50,858)
Total primary government net expenses		<u>\$ (41,032)</u>	<u>\$ (32,951)</u>	<u>\$ (30,123)</u>	<u>\$ (28,911)</u>	<u>\$ (36,532)</u>	<u>\$ (50,858)</u>

Continued...

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 CHANGES IN NET ASSETS (UNAUDITED) - Continued
 LAST SIX FISCAL YEARS (in thousands)
 (accrual basis of accounting)

	(1)	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
General Revenues and Other Changes in Net Assets							
Governmental activities (2)							
Property taxes	\$	65,575	\$ 69,518	\$ 72,723	\$ 70,937	\$ 76,423	\$ 88,858
Unrestricted grants and contributions		2,795	3,042	3,197	2,984	3,443	5,653
Investment earnings		4,574	2,183	957	2,582	4,961	6,613
Miscellaneous		1,063	8,001	2,269	2,409	1,429	158
Subtotal governmental activities		<u>74,007</u>	<u>82,744</u>	<u>79,146</u>	<u>78,912</u>	<u>86,256</u>	<u>101,282</u>
Total primary government		<u>74,007</u>	<u>82,744</u>	<u>79,146</u>	<u>78,912</u>	<u>86,256</u>	<u>101,282</u>
Changes in Net Assets							
Government activities		32,975	49,793	49,023	50,001	49,724	50,424
Total primary government	\$	<u>32,975</u>	<u>\$ 49,793</u>	<u>\$ 49,023</u>	<u>\$ 50,001</u>	<u>\$ 49,724</u>	<u>\$ 50,424</u>

Notes:

- (1) Trend data is available for only the prior five fiscal years since the implementation of GASB 34.
 (2) This schedule reports on one category, governmental activities, as the District has no business-type activities to be reported.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
 LAST SIX FISCAL YEARS (in thousands)
 (modified accrual basis of accounting)

	(1)	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
General Fund							
Reserved for:							
Encumbrances	\$	88,300	\$ 85,409	\$ 87,511	\$ 91,506	\$ 104,637	\$ 100,464
Special purposes		3,011	3,008	3,008	3,008	3,011	3,011
Unreserved, designated for:							
Flood control projects		20,307	19,478	19,478	18,099	26,049	33,814
Unreserved, undesignated, reported in:							
General Fund		5,769	7,153	7,748	6,834	(260)	6,091
Subtotal General Fund		<u>117,387</u>	<u>115,048</u>	<u>117,745</u>	<u>119,447</u>	<u>133,437</u>	<u>143,380</u>
All Other governmental Funds (2)							
Reserved for:							
Debt service		4,934	4,654	3,270	1,603	836	663
Unreserved, undesignated, reported in:							
Capital projects funds		117	220	101	116	15,147	1,516
Subtotal all other government funds		<u>5,051</u>	<u>4,874</u>	<u>3,371</u>	<u>1,719</u>	<u>15,983</u>	<u>2,179</u>
Total governmental fund balance	\$	<u>122,438</u>	\$ <u>119,922</u>	\$ <u>121,116</u>	\$ <u>121,166</u>	\$ <u>149,420</u>	\$ <u>145,559</u>

Notes:

- (1) Trend data is available for only the prior five fiscal years since the implementation of GASB 34.
 (2) "All Other Governmental Funds" consist of the Debt Service and Capital Projects Funds.

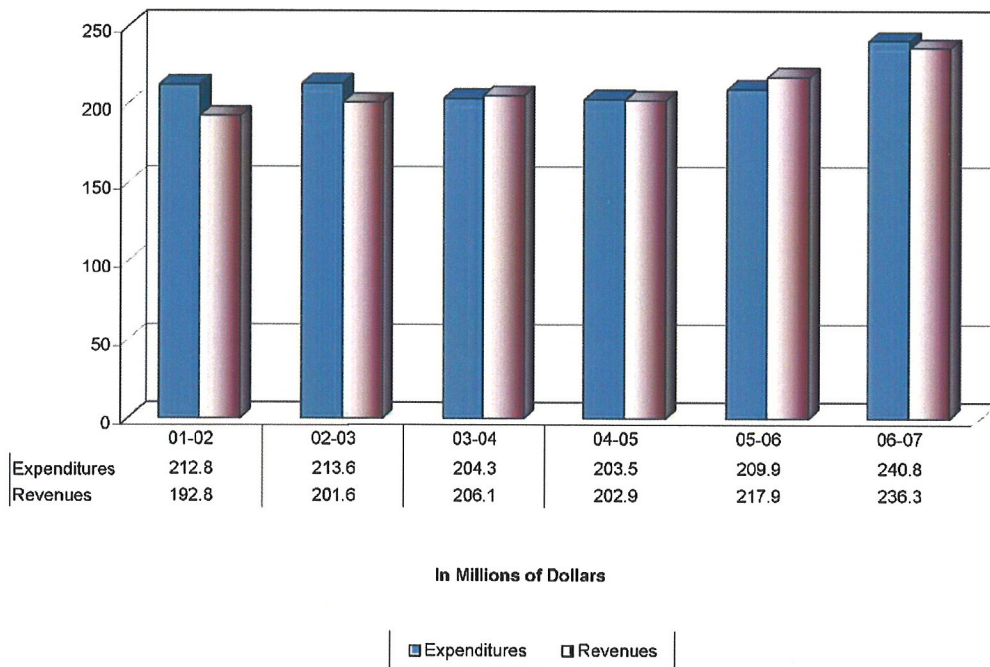
LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
 LAST SIX FISCAL YEARS (in thousands)
 (modified accrual basis of accounting)

	(1)	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenues (by source)							
Taxes	\$	66,315	\$ 69,505	\$ 72,689	\$ 70,994	\$ 75,397	\$ 88,605
Licenses, permits, and franchises		731	535	231	308	394	514
Fines, forfeitures, and penalties		1,518	1,681	2,802	1,226	1,196	1,060
Revenues from use of money and property							
Interest		4,574	2,183	957	2,582	4,961	6,613
Rents and royalties		6,248	6,133	6,802	5,191	7,028	7,301
Intergovernmental revenues:							
Federal		3,313	2,347	5,240	4,065	4,095	5,375
State		1,502	1,106	1,695	2,633	8,036	9,324
Other		1	2,232	2,396	2,142	2,609	4,824
Charges for services		107,552	115,003	111,697	112,653	113,296	112,524
Miscellaneous		1,061	855	1,554	1,128	869	187
Total Revenues		192,815	201,580	206,063	202,922	217,881	236,327
Expenditures (by function)							
Current:							
Public protection		185,722	176,503	179,170	179,364	179,100	205,119
Debt Services							
Principal		16,775	24,026	16,205	16,065	14,580	14,280
Interest		9,366	9,585	6,667	5,676	5,796	5,560
Capital leases							
Capital outlay		950	3,535	2,228	2,439	10,422	15,828
Total Expenditures		212,813	213,649	204,270	203,544	209,898	240,787
Excess of Revenues over (under) Expenditures		(19,998)	(12,069)	1,793	(622)	7,983	(4,460)
Other Financing Sources (Uses)							
Sales of capital assets		206	243	708	1,281	757	599
Transfers in		18,429	18,482	17,587	17,582	39,517	19,050
Transfers out		(18,429)	(18,482)	(17,587)	(17,582)	(39,517)	(19,050)
Proceeds of long-term debt						20,540	
Contribution to Los Angeles County		(1,551)	(903)	(1,306)	(609)	(1,026)	
Proceeds of refunding bonds			143,195				
Payment to refunded bonds escrow agent			(143,195)				
Bond premium proceeds			8,513				
Miscellaneous			1,700				
Total other financing sources (uses)		(1,345)	9,553	(598)	672	20,271	599
Net Change in fund balance	\$	(21,343)	\$ (2,516)	\$ 1,195	\$ 50	\$ 28,254	\$ (3,861)
Debt service as a percentage of noncapital expenditures:		12.34%	16.00%	11.32%	10.81%	10.21%	8.82%

Note:

(1) Trend data is available for only the prior five fiscal years since the implementation of GASB 34.

**LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
Governmental Funds Expenditures and Revenues
Last 6 Fiscal Years**



LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED) (1) & (2)
 LAST TEN FISCAL YEARS (in thousands)

<u>Fiscal Year</u>	(3) <u>Secured</u>	(4) <u>Unsecured</u>	(5) <u>Unitary</u>	(6) <u>Exempt</u>	Total Taxable <u>Assessed Value</u>	Total Direct <u>Tax Rate</u>
1997 - 1998	\$ 479,497,077	\$ 34,472,630	\$ 12,668,474	\$ (25,181,713)	\$ 501,456,468	1.00000%
1998 - 1999	492,920,009	36,808,117	12,681,433	(25,847,883)	516,561,676	1.00000%
1999 - 2000	521,494,390	37,826,556	12,505,963	(25,495,993)	546,330,916	1.00000%
2000 - 2001	556,120,737	40,449,723	12,348,515	(26,472,182)	582,446,793	1.00000%
2001 - 2002	592,345,254	44,394,254	12,425,635	(26,803,046)	622,362,097	1.00000%
2002 - 2003	632,815,105	43,785,523	12,357,025	(28,702,612)	660,255,041	1.00000%
2003 - 2004	683,216,372	44,745,197	11,587,736	(29,937,047)	709,612,258	1.00000%
2004 - 2005	738,658,957	43,898,983	10,648,846	(31,851,689)	761,355,097	1.00000%
2005 - 2006	813,276,803	43,964,997	10,718,105	(32,058,237)	835,901,668	1.00000%
2006 - 2007	905,276,182	45,783,429	10,638,106	(36,182,793)	925,514,924	1.00000%

Notes:

- (1) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) Due to the 1978 passage of the property tax initiative Proposition 13 (Prop. 13), the County does not track the estimated actual value of all County properties. Under Prop. 13 property is assessed at the 1978 market value with an annual increase limited to the lesser of 2% or the CPI on property not involved in a change of ownership or properties that did not undergo new construction. Newly acquired property is assessed at its new market value (usually the purchase price) and the value of any new construction is added to the existing base value of a parcel. As a result, similar properties can have substantially different assessed values based on the date of purchase. Additionally, Prop. 13 limits the property tax rate to 1% of assessed value plus the rate necessary to fund local voter-approved bonds and special assessments.
- (3) Secured property is generally real property, as defined as land, mines, minerals, timber and improvements such as buildings, structures, crops, trees, and vines.
- (4) Unsecured property is generally personal property including machinery, equipment, office tools, and supplies.
- (5) Unitary properties are railroads and utilities crossing the County and are assessed by the State Board of Equalization.
- (6) Exempt properties include numerous full and partial exclusions/exemptions provided by the State Constitution and the legislature that relieve certain taxpayers from the burden of paying property taxes.

Source:

Auditor-Controller, County of Los Angeles Taxpayers' Guide.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES FOR TAX RATE AREA #4 (UNAUDITED)
LAST TEN FISCAL YEARS
(PER \$100 OF ASSESSED VALUE)

Fiscal Year	County Direct Rates		Overlapping Rates				Total Rates
	Los Angeles General	Los Angeles County General	Los Angeles County Flood Control District	Los Angeles City Tax District No. 1	School Districts	Metropolitan Water District	
1997 - 1998	1.00000	0.001584	0.002197	0.031098	0.012017	0.008900	1.055796
1998 - 1999	1.00000	0.001451	0.001953	0.030161	0.024749	0.008900	1.067214
1999 - 2000	1.00000	0.001422	0.001765	0.031113	0.031528	0.008900	1.074728
2000 - 2001	1.00000	0.001314	0.001552	0.026391	0.040765	0.008800	1.078822
2001 - 2002	1.00000	0.001128	0.001073	0.040051	0.064125	0.007700	1.114077
2002 - 2003	1.00000	0.001033	0.000881	0.042312	0.051571	0.006700	1.102497
2003 - 2004	1.00000	0.000992	0.000462	0.050574	0.097002	0.006100	1.155130
2004 - 2005	1.00000	0.000923	0.000245	0.055733	0.106937	0.005800	1.169638
2005 - 2006	1.00000	0.000795	0.000049	0.051289	0.098634	0.005200	1.155967
2006 - 2007	1.00000	0.000663	0.000052	0.045354	0.128276	0.004700	1.179045

Notes:

- (1) The tax rate for Tax Rate Area #4, which applies to most property within the City of Los Angeles, is used to illustrate the breakdown of a tax rate within the County.
- (2) Article XIII A (Proposition 13) limits the maximum ad valorem tax rate to 1% of "full cash value" except for indebtedness approved by the voters prior to July 1, 1978.
- (3) An exception to the 1% limit was provided by Proposition 46 that was approved in June 1986 reestablishing the authority of local governments to issue general obligation bonds for certain purposes.
- (4) The County is divided into 11,067 tax areas that are unique combinations of various jurisdictions servicing a specific geographic area.

Source:

Secured Tax Rate and Ratios Report from Auditor-Controller Tax Division.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED) (1)
 CURRENT YEAR AND NINE YEARS AGO
 JUNE 30, 2007, AND JUNE 30, 1998 (in thousands)

Taxpayer	2007		(2)	1998		(2)
	Net Assessed Secured Property Value	Rank	Percentage of Total Net Assessed Value	Net Assessed Secured Property Value	Rank	Percentage of Total Net Assessed Value
Southern California Edison Co.	\$ 3,575,648	1	0.41%	\$ 3,883,219	1	0.83%
Douglas Emmett Realty Fund	2,361,660	2	0.27%			
Maguire Thomas Partners	2,148,607	3	0.24%			
Chevron USA Inc.	1,960,019	4	0.22%	1,147,714	7	0.25%
BP West Coast Products	1,922,277	5	0.22%			
Exxon Mobil Corporation	1,511,845	6	0.17%	1,003,745	9	0.21%
AT&T California	1,510,195	7	0.17%			
Verizon California Inc.	1,449,450	8	0.16%			
Trizec LLC	1,429,020	9	0.16%			
Southern California Gas Company	1,351,867	10	0.15%	1,694,477	4	0.36%
Pacific Bell				3,404,714	2	0.73%
GTE California, Inc.				1,887,448	3	0.40%
Atlantic Richfield Co.				1,611,580	5	0.35%
Shuwa Investments Corporation				1,214,454	6	0.26%
MCA, Inc				1,111,689	8	0.24%
Tosco Corporation				848,546	10	0.18%
Total	\$ 19,220,588		2.18%	\$ 17,807,586		3.81%

Note:

- (1) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) See schedule "Assessed Value & Actual Value of Taxable Property." Total assessed value, \$879,731,495 as of June 30, 2007 is based on Secured \$905,276,182 plus Unitary \$10,638,106 less exemptions of \$36,182,793. Total assessed value, \$466,983,838 as of June 30, 1998 is based on Secured \$479,497,077 plus Unitary \$12,668,474 less exemptions of \$25,181,713 (in thousands).

Source:

Los Angeles County Treasurer and Tax Collector.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Taxes Levied</u>	<u>Collections Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
1997 - 1998 (1)	\$ 55,467,253	\$ 53,567,198	96.6%	\$ -	\$ 53,567,198	96.6%
1998 - 1999	56,376,281	54,339,738	96.4%	1,908,182	56,247,920	99.8%
1999 - 2000	59,202,683	57,054,336	96.4%	1,732,580	58,786,916	99.3%
2000 - 2001	62,268,376	60,193,998	96.7%	1,632,853	61,826,851	99.3%
2001 - 2002	64,247,912	62,189,804	96.8%	1,899,677	64,089,481	99.8%
2002 - 2003	67,717,809	65,555,310	96.8%	1,624,946	67,180,256	99.2%
2003 - 2004	69,320,656	67,488,837	97.4%	1,881,330	69,370,167	100.1%
2004 - 2005	72,588,020	70,524,175	97.2%	1,692,673	72,216,848	99.5%
2005 - 2006 (2)	76,988,018	74,737,311	97.1%	1,448,959	76,186,269	99.0%
2006 - 2007	84,892,868	81,430,786	95.9%	1,510,369	82,941,155	97.7%

Notes:

- (1) Collections in Subsequent Years for Fiscal Year 1997-1998 are not available.
- (2) Fiscal Year 2005-06 data have been adjusted to reflect the correct tax information.

Source:

Tax ledgers for the Flood Control District provided by the Auditor-Controller Accounting Division, Property Tax Section.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
RATIO OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands, except per capita)

Governmental Activities

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Certificates of Participation</u>	<u>Accreted Interest</u>	<u>Unamortized Bond Premiums</u>	<u>Unamortized Loss on Advance Debt Refund</u>	<u>Pension Bonds Payable</u>	<u>Capital Leases</u>	<u>Total Primary Government (1)</u>	<u>Percentage of Assessed Value (2)</u>	<u>Per Capita (3)</u>
1997 - 1998	\$ 46,390	\$ 197,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 243,530	0.049%	25.36
1998 - 1999	38,735	187,185	-	-	-	-	-	225,920	0.044%	23.15
1999 - 2000	31,162	177,910	-	-	-	-	-	209,072	0.038%	21.15
2000 - 2001	23,640	168,247	-	-	-	-	-	191,887	0.033%	19.57
2001 - 2002	16,975	158,135	-	-	-	-	-	175,110	0.028%	17.82
2002 - 2003	10,955	143,195	-	-	-	-	-	154,150	0.023%	15.45
2003 - 2004	6,155	131,790	-	-	-	-	-	137,945	0.019%	13.65
2004 - 2005	2,265	119,615	-	-	-	-	-	121,880	0.016%	11.92
2005 - 2006	1,080	126,760	-	-	-	-	-	127,840	0.015%	12.48
2006 - 2007	370	113,190	-	-	-	-	-	113,560	0.012%	10.99

Notes:

- (1) Details regarding the Flood Control District's outstanding debt can be found in the Basic Notes to the Financial Statements.
- (2) See the "Demographic and Economic Statistics" schedule for population figures.
- (3) This schedule reports on one category, governmental activities, as the District has no business-type activities to be reported.

Source:

Los Angeles County Flood Control District Financial Statements from Fiscal Year 1997-98 to Fiscal Year 2006-07.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 RATIO OF NET GENERAL BONDED DEBT (UNAUDITED)
 LAST TEN FISCAL YEARS (in thousands except ratio and per capita)

<u>Fiscal Year</u>	<u>Population (1) & (2)</u>	<u>Assessed Value (2)</u>	<u>General Bonded Debt (3)</u>	<u>Ratio of General Bonded Debt to Assessed Value</u>	<u>General Bonded Debt per Capita</u>
1997-98	9,604	\$ 501,456,468	\$ 46,390	0.000093	4.8303
1998-99	9,758	516,561,676	38,735	0.000075	3.9696
1999-00	9,884	546,330,916	31,162	0.000057	3.1528
2000-01	9,803	582,446,793	23,640	0.000041	2.4115
2001-02	9,825	622,362,097	16,975	0.000027	1.7277
2002-03	9,979	660,255,041	10,955	0.000017	1.0978
2003-04	10,103	709,612,258	6,155	0.000009	0.6092
2004-05	10,227	761,355,097	2,265	0.000003	0.2215
2005-06	10,246	835,901,668	1,080	0.000001	0.1054
2006-07	10,332	925,514,924	370	0.000000	0.0358

Notes:

- (1) See "Demographic and Economic Statistics" schedule for population figures.
- (2) This information represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (3) Long-term general bonded debt outstanding includes Storm Drain General Obligation Bonds only.

Source:

Los Angeles Almanac website address: www.laalmanac.com/population.

COUNTY OF LOS ANGELES
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED)
JUNE 30, 2007
Full Cash Value (2006-07)
Population - (2007)

\$ 814,025,308,555 (1)
10,331,939 (2)

	Percent Applicable	Debt May 1, 2007
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Los Angeles County	100%	\$ 8,395,000
Los Angeles County Flood Control District	100	113,560,000
Metropolitan Water District	46.196	165,896,765
Los Angeles Community College District	100	1,005,200,000
Other Community College Districts	Various	1,151,471,218
Beverly Hills Unified School District	100	140,344,198
Glendale Unified School District	100	148,150,000
Inglewood Unified School District	100	123,590,000
Long Beach Unified School District	100	247,115,000
Los Angeles Unified School District	100	6,504,880,000
Pasadena Unified School District	100	205,175,000
Pomona Unified School District	100	153,225,000
Other Unified School Districts	100	2,310,454,547
High School and School Districts	Various (3)	960,650,982
City of Los Angeles	100	1,411,898,000
City of Los Angeles Special Tax Lease Revenue Bonds	100	126,485,000
City of Industry	100	197,945,000
Other Cities	100	45,735,000
Special Districts	100	10,130,000
Community Facilities Districts	100	816,898,019
Los Angeles County Regional Park & Open Space Assessment District	100	304,235,000 (4)
1915 Act and Benefit Assessment Bonds - Estimate	100	220,803,406
Los Angeles County Metropolitan Transportation Authority Benefit Assessment District Bonds	100	63,640,000
<u>TOTAL DIRECT AND OVERLAPPING TAX & ASSESSMENT DEBT</u>		<u>\$ 16,435,877,135</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Los Angeles County General Fund Obligations	100	\$ 1,086,701,959 (5)
Los Angeles County Pension Obligations	100	737,082,395
Los Angeles County Office of Education Certificates of Participation	100	19,817,270
Community College District Certificates of Participation	Various (3)	99,399,667
Los Angeles Unified School District Certificates of Participation	100	402,219,455
Pomona Unified School District Certificates of Participation	100	65,910,000
Other Unified School District Certificates of Participation	100	454,915,698
High School and School District General Fund Obligations	Various (6)	177,847,310
City of Beverly Hills General Fund Obligations	100	217,015,000

(Continued)

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT (UNAUDITED) - Continued
JUNE 30, 2007

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT - Cont'd:

City of Los Angeles General Fund & Judgment Obligations	100	1,492,290,000
City of Long Beach General Fund Obligations	100	302,400,000
City of Long Beach Pension Obligations	100	91,865,000
City of Pasadena General Fund Obligations	100	407,699,972
City of Pasadena Pension Obligations	100	134,145,000
Other Cities' General Fund Obligations	100	1,192,924,853
Los Angeles County Sanitation Districts General Fund Obligations	100	390,990,000
Walnut Valley Water District General Fund Obligations	100	14,075,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 7,287,298,579
Less: School District self-supporting bonds		(43,847,905)
Cities' self-supporting bonds		(179,252,871)
Walnut Valley Water District General Fund Obligations		(14,075,000)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 7,050,122,803
GROSS COMBINED TOTAL DEBT		23,723,175,714 (6)
NET COMBINED TOTAL DEBT		\$ 23,485,999,938
<u>RATIOS TO 2006-07 ASSESSED VALUATION</u>		
Direct Debt (\$8,395,000)		0.001%
Total Direct and Overlapping Tax and Assessment Debt		1.76%
<u>RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)</u>		
Combined Gross Direct Debt (\$1,832,179,354)		0.22%
Net Combined Direct Debt (\$1,832,179,354)		0.22%
Gross Combined Total Debt		2.89%
Net Combined Total Debt		2.86%
STATE SCHOOL BUILDING AID REPAYABLE AS OF 06/30/06:		\$ 884,789

Notes:

- (1) This balance is reduced by homeowners exemptions of \$8,001,348,631 and excludes redevelopment incremental valuation of \$111,489,615,303.
- (2) Yearly estimates from the California State Demographic Research Unit, California Department of Finance and the U.S. Census Bureau as of January 1 of each year.
- (3) All 100%, or almost 100%, except for Antelope Valley Joint UHSD, Fullerton UHSD and Community College Districts, and the schools and special districts included in them.
- (4) Excludes refunding issue to be sold.
- (5) Excludes tax and revenue anticipation notes to be sold.
- (6) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source:

California Municipal Statistics - for general information purposes only.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)
LAST TEN FISCAL YEARS (in thousands)

						COMPUTATION OF LEGAL DEBT MARGIN June 30, 2007	
<u>Fiscal Year</u>	<u>Assessed Value (1)</u>	<u>Legal Debt Limit (2)</u>	<u>Total Net Applicable Debt</u>	<u>Legal Debt Margin (3)</u>	<u>Legal Debt Margin/ Debt Limit</u>		
1997 - 1998	501,456,468	6,268,206	46,390	6,221,816	99.26%	Assessed valuation (net taxable)	\$ 925,514,924
1998 - 1999	516,561,676	6,457,021	38,735	6,418,286	99.40%	Applicable percentage in computing capacity	1.25%
1999 - 2000	546,330,916	6,829,136	31,162	6,797,974	99.54%	Total debt limit	\$ 11,568,937
2000 - 2001	582,446,793	7,280,585	23,640	7,256,945	99.68%	Less: Total net applicable debt	370
2001 - 2002	622,362,097	7,779,526	16,975	7,762,551	99.78%	Legal debt margin, June 30, 2007	\$ 11,568,567
2002 - 2003	660,255,041	8,253,188	10,955	8,242,233	99.87%		
2003 - 2004	709,612,258	8,870,153	6,155	8,863,998	99.93%		
2004 - 2005	761,355,097	9,516,939	2,265	9,514,674	99.98%		
2005 - 2006	835,901,668	10,448,771	1,080	10,447,691	99.99%		
2006 - 2007	925,514,924	11,568,937	370	11,568,567	100.00%		

Notes:

- (1) Assessed Value does not include tax exempt property. Property value data can be found in the "Assessed Value and Actual Value of Taxable Property" schedule. This information above represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) The Legal Debt Limit is 1.25% of assessed value.
- (3) The Legal Debt Margin is the Flood Control District's available borrowing authority under state finance statutes and is calculated by subtracting the debt applicable from the Legal Debt Limit.

Source:

Auditor-Controller, County of Los Angeles.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 PLEDGED-REVENUE COVERAGE (UNAUDITED) (1)
 LAST SIX FISCAL YEARS (in thousands)

Revenue Bonds

<u>Fiscal Year</u>	<u>Revenue</u>		<u>Debt Service</u>		<u>Total</u>		<u>Coverage</u>
	<u>Collected</u>		<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>		
2001 - 2002	\$ 107,552	\$	158,135	\$ 54,267	\$ 212,402		0.51
2002 - 2003	115,003		143,195	39,003	182,198		0.63
2003 - 2004	111,697		131,790	32,821	164,611		0.68
2004 - 2005	112,653		119,615	27,414	147,029		0.77
2005 - 2006	113,296		126,760	31,159	157,919		0.72
2006 - 2007	112,524		113,190	25,642	138,832		0.81

Note:

(1) Trend data is available for only the prior five fiscal years since the implementation of GASB 34.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED) (1)
 LAST TEN FISCAL YEARS (In thousands)

Year	Population County of Los Angeles *	Personal Income **	Per Capita Personal Income	School Enrollment (2) ***	Unemployment Rate	
1998	9,604	\$ 253,516,000	\$ 26,397	1,583	6.5%	
1999	9,758	263,987,000	27,053	1,618	5.9%	
2000	9,884	279,050,000	28,232	1,651	5.3%	
2001	9,803	294,508,000	30,043	1,682	5.7%	
2002	9,825	301,003,000	30,636	1,711	6.8%	
2003	9,979	310,044,000	31,070	1,736	7.0%	
2004	10,103	329,048,000	32,569	1,742	6.5%	
2005	10,226	349,868,000	34,214	1,734	5.3%	
2006	10,246	370,860,000	36,196	1,708	4.5%	
2007	10,332	379,824,000	36,762	1,673	4.4%	(3) ****

Note:

- (1) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) Public school enrollment.
- (3) Year 2007 is an estimate as of May 2007.

Sources:

- * Los Angeles Almanac website address: www.laalmanac.com/population.
- ** Bureau of Economic Analysis website address: www.bea.gov. Year 2007 is an estimate from Los Angeles County Economic Development Corporation (LACEDC).
- *** California Department of Education website address: www.cde.ca.gov.
- **** Los Angeles County Economic Development Corporation website address: www.laedc.org.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
PRINCIPAL EMPLOYERS (UNAUDITED) (1)
CURRENT YEAR AND FOUR YEARS AGO (7)

Company or Organization	2006			2002 (2)		
	Number of Employees *	Rank	Percentage of Total County Employment	Number of Employees *	Rank	Percentage of Total County Employment
County of Los Angeles	93,200 (3)	1	1.92%	93,354	1	1.95%
Los Angeles Unified School District	74,632	2	1.54%	80,802	2	1.69%
Federal Government (4)	53,200	3	1.10%	56,100	3	1.17%
University of California, Los Angeles	35,543	4	0.73%	36,354	5	0.76%
City of Los Angeles	53,471	5	1.10%	51,150	4	1.07%
State of California (noneducation)	30,200	6	0.62%	32,300	6	0.68%
Kaiser Permanente	32,180	7	0.66%	27,635	7	0.58%
Northrop Grumman Corp.	21,000	8	0.43%	10,000	10	0.21%
Boeing Co.	15,825	9	0.33%	23,468	8	0.49%
Kroger Co. (formerly Ralph's Grocery Co.)	14,000	10	0.29%	17,211	9	0.36%
Ten largest companies or organizations	423,251		8.71%	428,374		8.95%
All other companies or organizations	4,434,149		91.29%	4,356,426		91.05%
Total companies or organizations	4,857,400 (5) **		100.00%	4,784,800 (6) **		100.00%

Notes:

- (1) This schedule is based on the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area.
- (2) Information from nine years ago was not available. As such, we used 2002 information that was the earliest available.
- (3) May not include part-time or temporary employees or student workers.
- (4) Includes U.S. Postal Service.
- (5) As of October 2006.
- (6) As of December 2002.
- (7) Information for 2007 & 2003 is not available.

Sources:

- * Los Angeles Almanac website address: www.laalmanac.com/employment
 ** State of California Employment Development Department website address: www.labormarketinfo.edd.ca.gov.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
 FULL-TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)
 LAST TEN FISCAL YEARS (In thousands)

Function/Program	(1) and (2)	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
General Government		10,269	10,143	10,469	10,447	10,808	11,063	11,201	10,915	11,018	11,185
Public Protection	(3)	32,729	34,836	36,170	37,198	38,428	38,175	37,688	37,065	38,049	39,528
Health and Sanitation		25,369	25,327	26,311	27,107	27,737	27,056	26,079	26,322	26,717	27,072
Public Assistance		15,481	16,287	17,653	18,600	19,536	19,310	19,048	19,132	19,540	20,329
Education		1,550	1,559	1,600	1,628	1,666	1,706	1,722	1,722	1,828	1,871
Recreation and Cultural Services		2,104	2,186	2,317	2,282	2,352	2,406	2,388	2,324	2,393	2,649
Total		87,502	90,338	94,520	97,262	100,527	99,716	98,126	97,480	99,545	102,634

Notes:

- (1) Full-time equivalent count is calculated by dividing the total number of man-months paid by 12. Full-time equivalent employees include all employees on our payroll system. This accounts for the difference between the total employee number of County employees on this schedule and the number of County employees per the "Principal Employers" schedule.
- (2) Specific data for Public Ways and Facilities is not available.
- (3) This schedule represents the entire County of Los Angeles. The Flood Control District is a component of the County of Los Angeles and covers most of the County area. Full-time equivalent County employees in the Flood Control District are reflected under the Public Protection Function/Program.

Source:

Employee Count study performed by the Auditor-Controller-Accounting Division.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
OPERATING INDICATORS BY FUNCTION/PROGRAM (UNAUDITED)
LAST SIX FISCAL YEARS

Function/Program	(1)	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u> (Estimated)
Public Protection							
Flood Control							
Operation and maintenance costs per mile of storm drain maintained	\$	1,891	\$ 1,088	\$ 1,309	\$ 1,602	\$ 2,164	\$ 1,502
Operation and maintenance costs per mile of channel maintained		52,690	45,459	51,864	46,046	44,731	49,460
Operation and maintenance costs per mile of thousands cubic yards of debris basin capacity		672	1,664	915	1,741	1,404	945
Operation and maintenance costs per mile of foot of dam capacity		125	148	197	211	241	188
Flood Plain Management							
Cost of replying to FEMA Flood Insurance inquiries		N/A	N/A	194,923	171,806	253,021	200,000
Cost of performing the floodplain impact reviews		N/A	N/A	24,591	42,458	224,914	101,000
Cost of preparing CRS recertification		N/A	N/A	44,740	115,419	214,112	55,000
Cost of FEMA Nationwide Remap		N/A	N/A	4,475	237,655	230,088	293,000
Total	\$	55,378	\$ 48,359	\$ 323,014	\$ 616,938	\$ 970,675	\$ 701,095

Note:

(1) Trend data is available for only the prior five fiscal years since the implementation of GASB 34.

Sources:

2004-05, 2005-06, 2006-07 and 2007-2008 Proposed County Budgets, Volume One.

LOS ANGELES COUNTY FLOOD CONTROL DISTRICT
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST FOUR FISCAL YEARS

<u>Function/Program</u>	(1)	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Public Protection					
Linear Feet of Channel		2,924,837	2,924,837	2,926,093	2,929,431
Linear Feet of Storm Drain		15,077,213	15,087,435	15,150,380	15,154,556
CDS Unit		17	17	17	17
Debris Basin		129	129	129	129
Debris Retaining Inlet		260	260	260	260
Detention Retention B		21	21	21	21
Crib Dam		234	234	234	234
Barrier		3	3	3	3
Pump Plant		52	52	52	53
Spreading Ground		26	26	26	26
Dam		15	15	15	15
Stream Gauging Station		60	60	60	60
Catch Basin		77,827	77,827	77,827	77,827

Notes:

(1) Trend data is available for only the prior three years since the implementation of GASB 34.

Sources:

"Flood Network" for FY 2003-04, FY 2004-05 and FY 2005-06 provided by County of Los Angeles Department of Public Works, Fiscal Division, Expenditure Management Section, Property Unit.

Other Compliance Report



MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Mr. J. Tyler McCauley
Auditor-Controller
County of Los Angeles
Los Angeles, California

We have audited the financial statements of the governmental activities and each major fund of the Los Angeles County Flood Control District (District), as of and for the fiscal year ended June 30, 2007 which collectively comprise the Los Angeles County Flood Control District's basic financial statements, and have issued our report thereon dated December 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Los Angeles County Flood Control District are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the County of Los Angeles Board of Supervisors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim, LLP

Moss, Levy & Hartzheim, LLP
Beverly Hills, CA
December 18, 2007

OFFICES: BEVERLY HILLS • SANTA MARIA

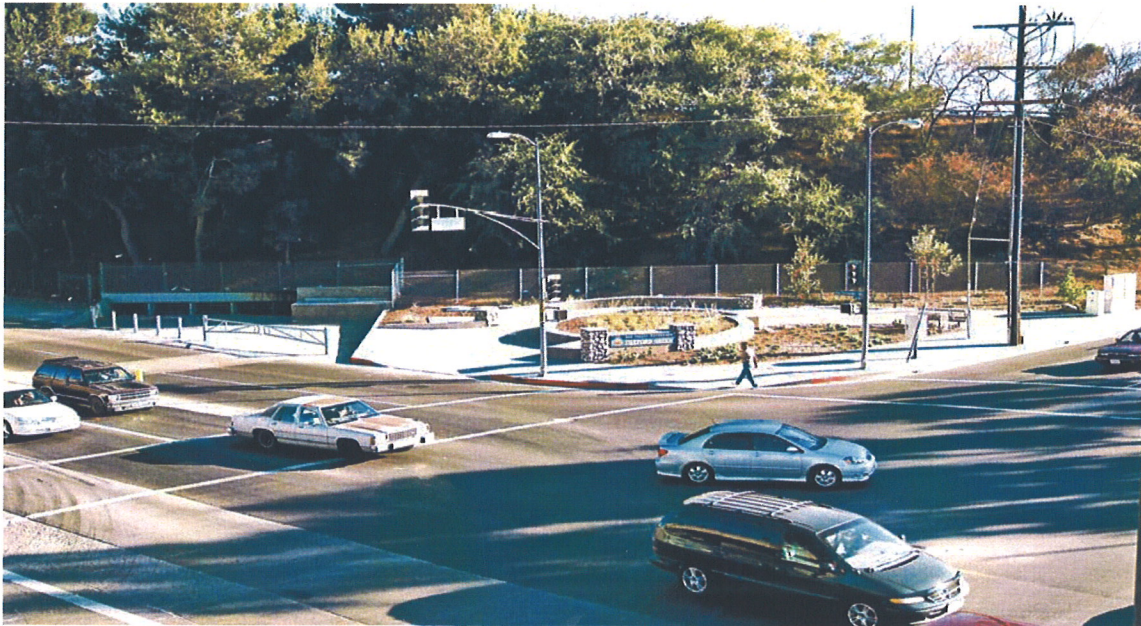
MEMBER AMERICAN INSTITUTE OF C.P.A.'s • CALIFORNIA SOCIETY OF C.P.A.'s • CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS • CALIFORNIA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

Photo Gallery

APPENDIX – PHOTO GALLERY



The **Tuxford Green Multiuse Project** uses a system of catch basins and hydraulic pressure to “push” stormwater through an underground storm drain, effectively forcing thousands of gallons of stormwater under the intersection of Tuxford Street and San Fernando Road during a storm. A portion of the stormwater and most of the urban runoff collected by the system will be redirected through a stormwater treatment device, to remove trash, oil, and sediment. Treated stormwater will then be stored in a 45,000 gallon cistern and used to irrigate newly integrated landscaping features.



APPENDIX – PHOTO GALLERY

Tujunga Wash Greenway Stream Restoration Project



APPENDIX – PHOTO GALLERY

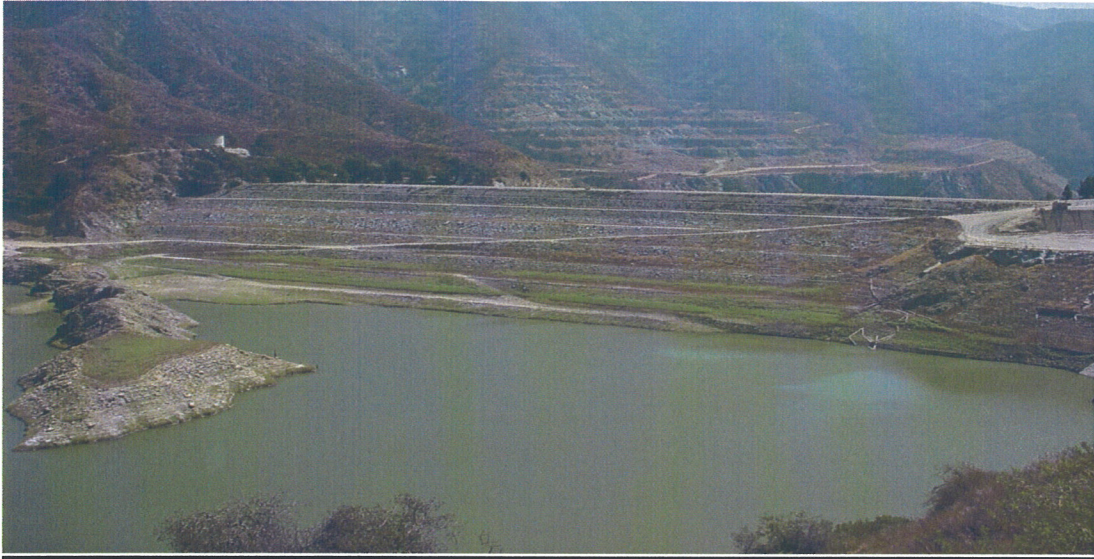


SAN GABRIEL RIVER RUBBER DAMS



Rubber dams are inflatable heavy duty bladders anchored to a foundation across natural or lined flood control channels. The dams are inflated and deflated using sophisticated computer controllers, blowers, and valves in order to impound water for in-channel storage/recharge or for use as diversion structures.

APPENDIX – PHOTO GALLERY



SAN GABRIEL RESERVOIR



SAN GABRIEL DAM

APPENDIX – PHOTO GALLERY



**Thomas A. Tidemanson
Public Works Headquarters
Seismic Retrofit Project**